2021

I&M BANK (RWANDA) PLC ANNUAL INTEGRATED REPORT AND FINANCIAL STATEMENTS

COMMITTED TO OUR CUSTOMERS' SUCCESS.
DRIVEN BY SUSTAINABLE AND EFFICIENT GROWTH

OVERALL,
OUR MARKETS
REMAINED
VERY
COMPETITIVE,
WITH PRICES
COMING
UNDER
PRESSURE
ACROSS ALL
SEGMENTS

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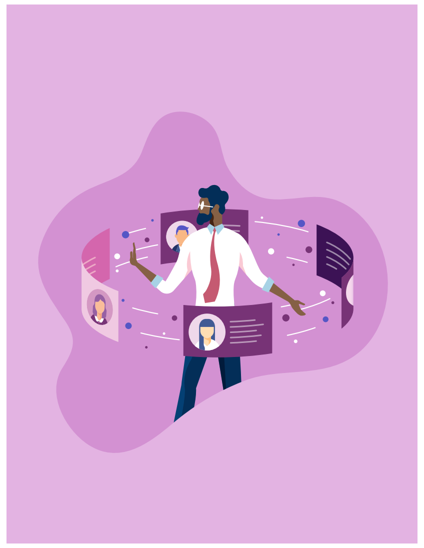

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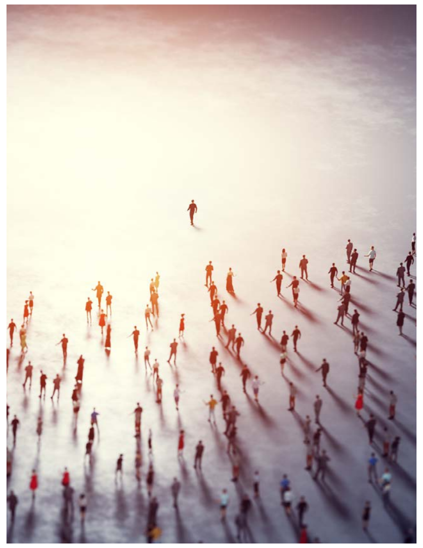
OUR LEADERSHIP TEAM



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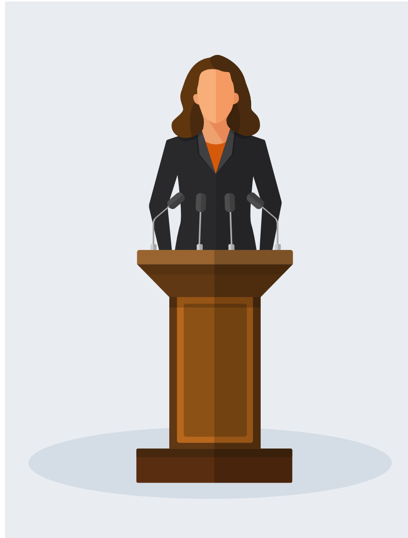

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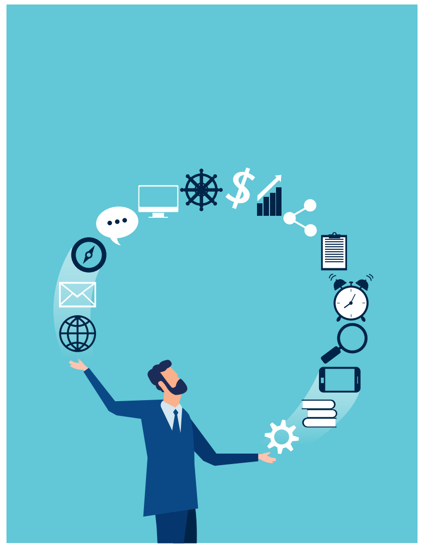

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THE BANK IS NOW WELL POSITIONED TO EXPLOIT OPPORTUNITIES IN THE NEXT PHASE OF OUR GROWTH TO SOLIDIFY OUR MARKET LEADERSHIP POSITION GOING FORWARD

OUR BUSINESS

About this report

This Integrated Annual Report provides a holistic description of I&M Bank (Rwanda) Plc's financial and non-financial activities and performance. We endeavor to provide the Bank's stakeholders with adequate and reliable information that would help them assess the Bank's ability to create value in the short, medium, and long term.

The report hence features information on I&M Bank (Rwanda) Plc's financial performance, strategy, business model, governance, and risks and opportunities.

Reporting scope and boundary

Reporting period

The report is published annually and covers the period spanning 1 January 2021 to 31 December 2021. It presents developments relating to the operations of I&M Bank (Rwanda) Plc and provides an update on recent important events taking place after this date and until approval of the report by the Board of Directors.

Reporting requirements

The contents of the report comply with the obligations and requirements falling under relevant laws and regulations as well as local and international codes and standards of good practices. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and relevant regulatory requirements.

Operating business

The report sheds light on activities undertaken by the Bank in the period under review. The nature and extent of information delivered depend on their materiality and relative significance to the Bank and its stakeholders.

Financial and non-financial reporting

The report extends beyond financial reporting and provides insights on the company's non-financial performance and positioning in relation to its key stakeholders, which have a significant influence on its ability to create value.

Specific areas of reporting

The report contains information on the overall strategic progress achieved by the Bank during the period under review while providing insights on our operating environment, business model and strategy, business performance, support to stakeholders, management of risk, and adherence to corporate governance principles.

Assurance and independent assessment

Our external auditors provide independent assurance on the financial statements of I&M Bank (Rwanda) Plc, alongside confirming that the corporate governance report is consistent with Article 123 and Article 125 of Law No. 007/2021 of 05/02/2021 Governing Companies.

The Board of Directors is ultimately responsible for ensuring the integrity and completeness of this integrated report. It is the Board's opinion that this report presents a fair and balanced view of I&M's performance. The Board approved this Report on 23 March 2022.

Contact for inquiries and feedback on this report: invest@imbank.co.rw

OUR CORPORATE PROFILE

Who We are

I&M Bank (Rwanda) Plc has a long-standing presence in the Rwandan market as a provider of a wide range of financial services. The Bank was incorporated on 25th May 1963 as the first commercial bank in Rwanda as Banque Commerciale du Rwanda (BCR). In December 2004, BCR was privatized and acquired by Actis – a pan-emerging markets private equity firm – and the Government of Rwanda after recapitalization of the Bank's equity, giving ACTIS an 80% shareholding.

On the 17th July 2012, an 80% equity buy out of Actis by a consortium comprising of I&M Group, and two European developmental financial institutions (DEG and Proparco) led to a re-brand of the Bank to I&M Bank (Rwanda) Limited.

In March 2017, the Bank was listed on the Rwanda Stock Exchange (RSE) by way of an Initial Public Offering (IPO) following the sale of shares previously owned by the Government of Rwanda.

I&M Bank offers the full range of personal, business, institutional and corporate banking products throughout its locations. The Bank is a leader in innovation and is the Bank of choice for Coffee, Tea, Minerals, Power, Telecoms, Construction, Hotels, NGOs, Educational Institutions, UN Agencies, Diplomatic representations, and SACCOs/MFIs.

This is largely attributed to our hallmark focus on sustaining excellent customer relationships. Steady and positive returns to investors have been a direct result of our customer-focused strategy.

PRODUCTS & SERVICES

The Bank provides the following services:

Commercial banking represents the largest portion of the Bank's assets. Our products and services are segmented to meet the needs of each customer base and which in turn stems from our strategic goals of being the best bank for our customers. This now includes increased convenience through the digitization of our services.

CUSTOMER SEGMENTS

HOW WE CREATE VALUE

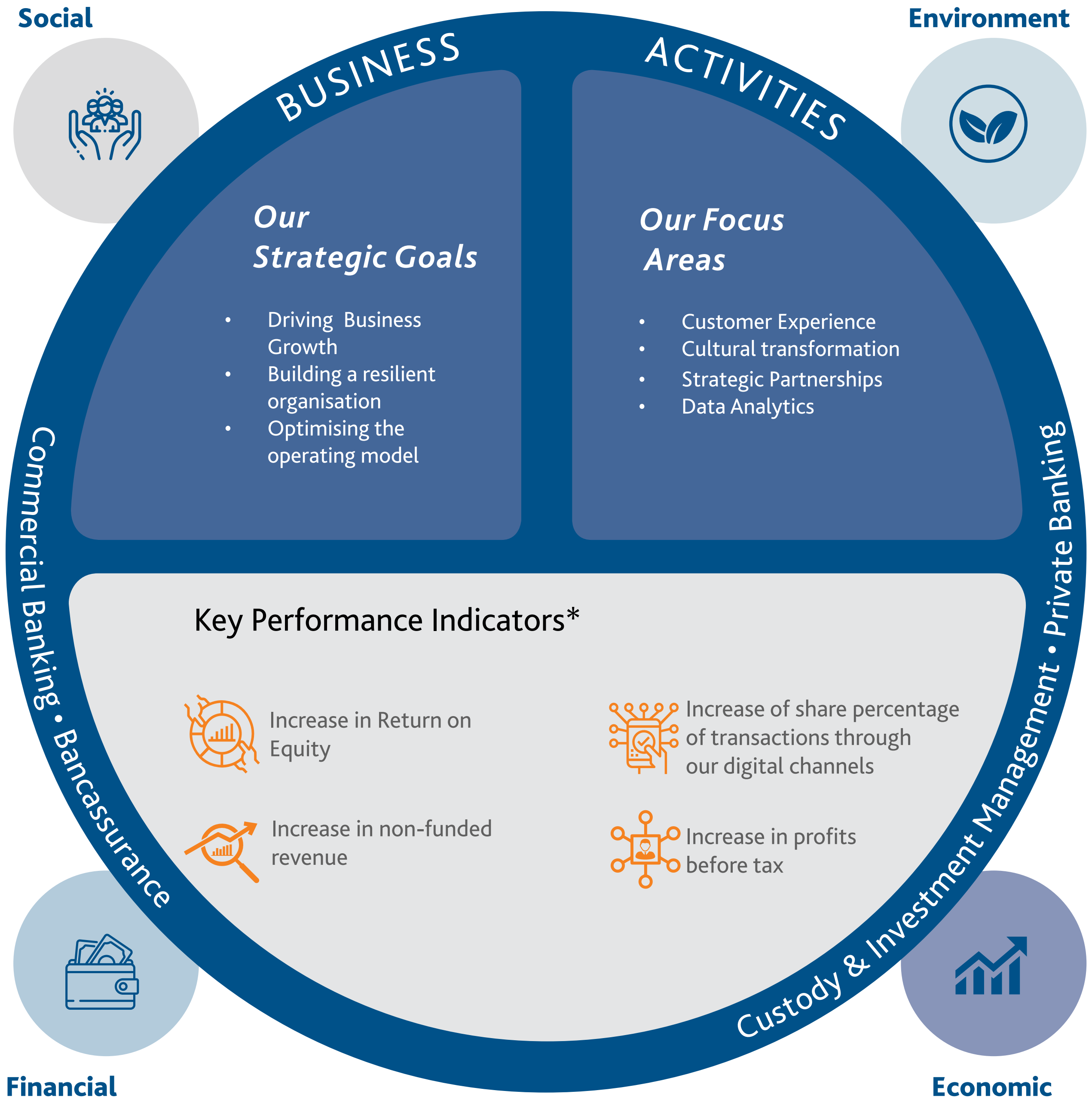
As a financial services provider, I&M Bank (Rwanda) Plc plays a crucial role in facilitating the required economic activity to enable sustainable growth and development by moving the capital from where it is to where it is required. We are intrinsically connected to society at large as we are to our individual customers and employees. As a result, our decision-making is based upon the desire for not only short-term results but also long-term value creation. I&M's focus on customer centricity, long-term thinking, and financial strength enables it to create shared value.

Our value creation process

Value creation is the result of how we apply and leverage our resources and maintain our relationships in delivering financial performance and optimizing value for all stakeholders. Our value creation process is embedded in our purpose, described as part of our business model, and integrated into the way we think and make decisions.

Our capitals and relationships

All organizations depend on various forms of capital for their success. These capitals are stores of value that, in one form or another, become inputs to the organization's business model. Not all capitals are equally relevant or applicable to each organizations and the Integrated Reporting Framework allows for a tailored approach to fit the business context if the concept of how value is created for society is conveyed. For our report, we have chosen to adopt a framework to describe our value creation through the lens of our stakeholder relationships.



Meeting our stakeholders' expectations via our business model creates sustainable value for our stakeholders and society at large

CUSTOMERS:

Over 52,303 corporate, SME, and retail customers across the country.
Our customers-both private and corporate-demand a superb personal and digital experience. They choose I&M Bank (Rwanda) Plc because of our integrity as well as our efficiency

- Net Loans & Advances of **FRW 222 Billion**
- Interest Paid to Customers of **FRW 17.8 Billion.**

EMPLOYEES:

402 employees
Our employees are the heart of our operations. We have worked to create a fair and responsible workplace to create a conducive environment to promote employee empowerment and satisfaction.

- Salaries & Benefits of **FRW 9.9 Billion**
- Workforce Gender Ratio **(Female - Male): 52-48**
- Employee Engagement Score - **77%**

REGULATORS:

Regulators work to ensure industry standards and protect consumers.

I&M Bank (Rwanda) Plc enjoys robust relationships with regulators to deliver upon its commitments to society.

- Compliance with all regulatory requirements and smooth implementation of new regulations.

SHAREHOLDERS:

Shareholders expect a competitive and sustainable return on their capital.

The Bank employs a strong risk management strategy consisting of social, environmental, and governance considerations to ensure long-term growth.

- Share price: **FRW 45 (closing price as of 31st December 2021)**
- Full Year 2021 proposed dividend: **FRW 1.8 Billion**

COMMUNITY

As a financial service provider, the Bank is expected to act responsibly.

In addition to following sound governance rules, we also give back to our society.

I&M Bank (Rwanda) Plc has been supporting students as well as the environment conservation initiative for years

- Projects supported through our CSR activities – Detailed in our **"News & CSR"** section

OUR STRATEGY

I&M Bank (Rwanda) Plc strategy at a glance

As the Bank continues to grow in an increasingly competitive environment and industry, we are presented with unique challenges as well as exciting and valuable opportunities. In 2021, on the back of a successful phase one of our iMara strategy implementations, considering our market context, and the material dynamic changes within the environment, the Bank's strategy was refreshed, dubbed iMara 2.0 which identifies three distinct growth opportunities supported by four key enablers to propel our growth.

DRIVING BUSINESS GROWTH:

The Bank will focus on growing its business through geographical expansion, diversification into new segments, the entrenchment of its sales processes, and improving its digital platforms to provide clients with the right solutions.

BUILDING A RESILIENT ORGANIZATION

The year 2021 highlighted the need for resilience for business growth considering the ever-changing operating environment. The Bank will seek to ensure it is resilient in its liquidity and funding, against emergent operational, cyber, and credit risk, whilst also ensuring it remains a good corporate citizen by embracing its environmental, social, and governance responsibility.

OPTIMIZING THE OPERATING MODEL

The iMara 2.0 strategy is focused on improving core IT infrastructure resilience, process efficiency through business process reengineering and standardization, as well as leveraging Group synergies for growth.

Underpinning these goals are four key enablers:

DELIVERING EXCEPTIONAL CUSTOMER EXPERIENCE

We seek to ensure at the core of all our solutions.

CULTURAL TRANSFORMATION

We seek to entrench the appropriate culture to enhance employee engagement driving execution and maintaining an employee value proposition that makes the Bank the employer of choice.

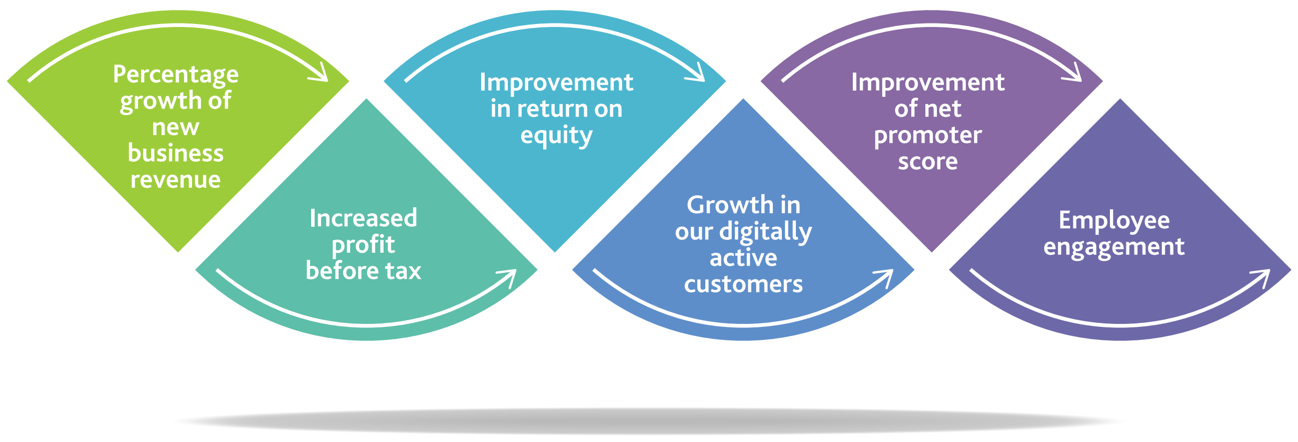
LEVERAGING STRATEGIC PARTNERSHIP

We will collaborate with the right partners to deliver the solutions efficiently to our customers of choice.

DATA ANALYTICS

Our decisions will be informed with the right sets of data whilst entrenching a data-driven decision culture.

SUCCESSFUL STRATEGY IMPLEMENTATION WILL BE EVALUATED THROUGH SIX MAJOR
KEY PERFORMANCE INDICATORS.



Delivering on our strategic objectives

This section shares examples of the Bank strategy execution by I&M Bank (Rwanda) Plc.

Adapting to the context to pursue our strategic execution

The Bank's strategy iMara 2.0 introduced in 2021 is in the second year of its three-year strategic journey. We embarked to become a bigger, and better Bank by 2023 and formulated strong ambitions for all stakeholders (customers, employees, and shareholders). The structural progress we have made in the first year is significant. The Bank is well-positioned to deliver sustainable value creation, and the outcomes of our transformation in 2021 are evidence of the progress we are making towards fulfilling the 2023 ambitions.

As part of sustainable development and commitment to the country's economy, the Bank invested in its new head offices which expanded our reach within our community providing ample access to personal and business banking, select banking, corporate services and so much more. 100% of the Bank has moved to the new building with the Branch & Select Banking Center fully operational. Customers have embraced the shift to the new head office and staff settled well into the new branch operation methodology.

Building on the driving business growth pillar; the Bank's customer base continued its growth trajectory, with total core customers growing 30% year on year (Retail (26%), Corporate (18%) & MSMEs (80%) on the back of improved process efficiencies. In the same context, SPENN's customer base – a blockchain-based transaction platform, powered by I&M Bank – grew by 21% crossing the 300K milestone for the first time.

On the sustainability agenda, we made considerable progress with our ambitions during the year, and as an integral part of our strategy, with Retail Banking, maintaining a monthly average run rate of 2 billion run rate with an 89% conversion ratio of their pipeline while Corporate and MSMEs maintained continued to grow steadily on the back of proper execution of our business model.

On the customer engagement front, the Bank conducted a mystery shopper to assess the level of compliance with our standards and evaluate the quality of service we offer to our customers and identify areas of improvement required. Out of the five parameters measured the overall score stood at 91.6% which leaves a gap to fill with 8.4% better than 18.3% reported in 2019 and 12.5% in 2020 which means the gap to fill reduced by 4.1% YoY. We have also sustained a strong Net Promoter Score of 67% and are focusing on improving this further with several initiatives to boost our level of service.

Digitizing the Business

In line with the I&M Group's Digital Strategy, we have focused on redesigning current digital channels through innovation and FinTech partnerships and by leveraging advanced analytics to drive the digital transformation.

We have made further progress on our digitalization journey with the rollout of our first-ever Point of Sale (POS) in 2021. This is expected to attract more business customers as the Bank POS uses the latest technology of accepting contactless transactions and, use of Android devices. Our competitive advantage lies with seamless reconciliation and fast settlement we provide to the businesses.

OUR STAKEHOLDERS

I&M Bank (Rwanda) Plc recognizes and appreciates that engagement with, and active cooperation of, its stakeholders is essential not only for the Bank's strong business performance on a sustainable basis but for achieving and maintaining public trust and confidence as well. Our stakeholder management policy is founded on the principles of transparency, active listening and equitable treatment that favors a consultative and collaborative engagement with all stakeholders.

Mode and Purpose of Our Stakeholder Engagement

We are guided by the Stakeholder Engagement Policy which has been developed to ensure the policy is applied consistently across all Bank operations. We engage both formally and informally throughout the year to:

- Develop and promote a firm understanding of stakeholder needs, interests and expectations.
- Provide guidance on how the Bank should engage with its stakeholders to strengthen and maintain relationships with them.
- Identify the opportunities and threats arising from stakeholders' material issues; and
- Assist with strategic, sustainable decision-making.

Stakeholder engagement is decentralized within the Bank. All I&M Bank(Rwanda) Plc employees are accountable for managing relationships and meeting the expectations of stakeholders within their areas of responsibility. Should a stakeholder not be satisfied with the service or assistance they receive, there are a number of channels to ensure they can voice their concerns. These include our client call centre, our social media pages or our Bank email addresses. All available channels are clearly indicated on the "Contact us page" available on the corporate website. Concerns raised by stakeholders are monitored annually for risk and compliance purposes.

I&M has identified the following stakeholders and methods of engagement, including the various channels and means of communications reliant on each specific stakeholder group.

STAKEHOLDER	PURPOSE OF ENGAGEMENT	METHODS OF ENGAGEMENT
CUSTOMERS	• To understand their aspirations, businesses and financial service needs better • To provide appropriate advice, proactive financial solutions and value-adding services • To ensure the Bank maintains high service levels that they expect and deserve • To inform product development and prioritization • To develop products that embody customer-centric innovation • To ensure accuracy of customers' personal and/or business information	• Interactions through branch outlets, relationship managers, senior management, call centres, and other alternate banking channels • Customer events, face-to-face meetings and other surveys, as well as marketing and advertising activities • Formal written correspondence, emailers, newsletters and messages disseminated through social media
EMPLOYEES	• To provide staff with strategic direction and keep them informed about the Bank's activities • To ensure that we remain an employer of choice that provides a safe, positive and inspiring working environment • To understand and respond to the needs and concerns of staff members	• Regular, direct communication between managers, teams and individuals • Robust combination of face-to-face, written, digital and broadcast communications, culture and engagement surveys that include emails and intranet communications • CEO's town hall meetings, cluster and group recognition functions
REGULATORS	• To maintain open, honest, and transparent relationships and ensure compliance with all legal and regulatory requirements • To retain our various operating licenses and minimize operational risk	• Various industry and regulatory forums, meetings between regulators and our board and management • This includes one-on-one discussions with various executive officials at prudential meetings as well as onsite meetings

SHAREHOLDERS	• To provide current and future shareholders with relevant and timely information • To manage shareholder expectations and reputational risk • To maintain strong relationships and keep abreast of market developments • To ensure good governance and deepen the trust placed in us and our brand • To get feedback that informs our strategy, business operations and, how we govern	• Annual General Meetings, Extraordinary General Meetings (as and when called for) • Investor briefings (Quarterly) and /or financial results announcements and roadshows • Various investor group meetings • Individual meetings with financial media, shareholders, and analysts
GOVERNMENT AGENCIES, LOCAL AUTHORITY AND INDUSTRY FORUMS	• To build and strengthen relationships with government, both as a partner in the development of the country and as a key client • To provide input into legislative development processes that will affect the economy and our activities and operations • To participate visibly in and be a partner to, the transformation of the Rwandan economy • To continue learning through interaction with the industry and cross-sectoral organizations. • To use business associations as a forum through which we can promote our viewpoints on key industry issues • To influence and/or promote common agendas	• Various engagements with officials, participation in consultative industry and sector forums
MEDIA	• To leverage the reach and influence of media channels to share our business and value creation story with stakeholders • To empower their audiences to make informed financial decisions	• Launches of various products and services • Interviews with key business media on relevant matters • Ongoing telephone and email interaction regarding media inquiries
SERVICE PROVIDERS AND SUPPLIERS	• As required or dictated by performance contracts and/ or agreements. • To obtain products or services required for conducting Group business • To maintain an ideal and timely supply of goods and services for operations • To encourage responsible practices across our supply chain, local procurement, supplier conduct and environmental considerations • To include critical suppliers in cross-functional teams to contribute expertise and advice before specifications are developed for products or services	• One-on-one negotiations and meetings for finalization follow up and after sales service
OTHERS – THE COMMUNITY AT LARGE, ENVIRONMENT	• To create partnerships that serve to facilitate our integrated sustainability activities • To obtain input from environmental experts, communities and non-governmental organizations regarding key focus areas • To create awareness of our "shared growth" commitment and initiatives	• Website, Annual report, social media handles, press releases and media statements

OUR PERFORMANCE TRENDS

Key performance indicators

The following key performance indicators represent a selection of those used by the Bank to measure its performance. More details are provided in "Our financials" section of this report.

Financial KPI	**Dec-21 FRW 'Mn**	**Dec-20 FRW 'Mn**	**Dec-19 FRW 'Mn**
Net interest income	26,876	22,413	21,866
Net fee, commission and other income	6,569	8,778	6,597
Total income	**33,445**	**31,191**	**28,463**
Credit impairment charges	-1,705	-5,536	-1,067
Net operating income	**31,741**	**25,655**	**27,395**
Operating expenses	-20,756	-17,817	-18,405
Profit before tax	**10,984**	**7,838**	**8,990**
Balance sheet and capital management			
Loans and Advances	222,423	205,229	171,888
Investment securities	91,506	100,851	48,539
Deposits from customers, banks & other financial institutions	326,893	298,260	243,372
Shareholders' Equity	62,204	54,477	42,787
Total Assets	466,926	417,204	317,899
Tier I CAR	18.08%	16.45%	14.35%
Tier II CAR	20.75%	19.65%	18.27%
Risk weighted assets	317,437	296,639	240,635
Funding and liquidity, credit risk			
Liquidity coverage ratio, %	504	542	229
Loan: deposit ratio, %	68.04	68.81	70.63
NPL ratio, %	3.45	3.51	2.56
Performance measures			
Cost: income ratio, %	62.06	57.12	64.66
Earnings Per Share (EPS), %	6.61	4.72	4.97
ROAA, %	2.06	1.39	1.97
ROAE, %	15.69	10.99	15.16
Non-Financial KPI			
Transaction done on digital channel vs OTC, %	74	72	35
Number of employees	402	400	377
Staff engagement Score (OHI), %	77	80	88
Workforce Gender Ratio (Female: Male)	52	56	47
Women in Leadership positions	5	5	4
Credit ratings (Long Term/ Short Term)	A/ A1	A-/ A2	A-/ A2
Outlook	Stable	Stable	Stable

CHAIRMAN'S STATEMENT

> "We remain determined on implementing our strategy and investing in the future. As such, we will continue to create and consolidate the necessary building blocks for achieving sound, diversified and sustained business development."

40%

In 2021, the Bank's profit before tax grew by 40% to reach FRW 10.9 Billion.

REFLECTIONS FROM THE BOARD CHAIRPERSON

ADAPTING TO THE DYNAMIC CONTEXT

Welcome to our Annual Report for 2021.

I am pleased to present to you the Company's Corporate Governance Report for the financial year ended 31st December 2021, prepared under Law N° 007/2021 of 05 February 2021 Governing Companies in Rwanda.

As I reflect on what was a very challenging year, I am pleased to present our 2021 Annual Report and highlight the events that have dominated our performance and indeed the entire economy.

Despite the turbulence of the pandemic and changes in the leadership team, the Bank delivered record results this year, across most key financial indicators highlighting our ongoing focus on prudent risk management, diversified operations, and a robust business model. On behalf of the Board, I sincerely thank our staff for their commendable resilience and agility, delivering such remarkable results in very challenging circumstances.

Three things stand out in my mind when looking back on the year 2021. First, is the relentless professionalism displayed by the Bank's employees across the country in supporting our customers and communities during these unprecedented times. The second is how, through capitalizing on our digital platforms, we were able to adapt our product and service offerings to offer secure and convenient service to our customers. The third is the strong sense of purpose guided by our vision to become "Rwanda's leading financial partner for growth" by remaining competitive in a very challenging environment.

In 2021, the Bank continued to build its reserves to absorb possible repercussions from the ongoing pandemic and credit losses albeit to a lower extent compared to 2020, profit before tax grew by 40% to reach FRW 10.9 Billion. We maintained adequate capital buffers with the Tier I & Tier II capital adequacy ratios standing at 18.08 % and 20.75 % respectively. We also maintained healthy funding and liquidity positions while our asset quality metrics remained relatively stable despite tough economic and market conditions.

During the year, we maintained our focus and support towards the MSME sector which we believe is the backbone of our economy, whilst continuously investing in technology to maintain our reputation as a Bank of the future.

As part of sustainable development, commitment to the country's economy and the Kigali City Master Plan, the Bank invested in its new head office building to the tune of USD 26 Million. This has expanded our reach within our community. The customers' feedback echoes the same message mainly from the ease of access to the various services they need in the Bank, and the newly introduced state-of-art features in our Headquarter branch.

As a Green Building, the roof's photovoltaic cells and siphonic draining system creates a significantly reduced carbon footprint of the entire complex with the Bank being able to reduce requirements for power and water consumption by 70 percent.

To support the Government's agenda and promote Rwandan Manufacturers, during the construction phase, the Bank focused on purchasing #MadeInRwanda products. The major components of the base build were all locally sourced. In the same spirit, the Bank insisted on employing, wherever possible, local contractors, subcontractors, and consultants for the project. More than one thousand Rwandan workers were hired to work on this site in different capacities.

In the same spirit, I am pleased to report that the new building is at 100% occupancy. Similarly, our former headquarter was renovated and is also let. We expect rental incomes to materialize in our books in 2022. This gives us increased confidence in our strategy execution and revenue growth plans while maintaining conservative positions on capital, funding, liquidity, and credit.

The Bank also took advantage of the tax incentives provided on investments made in the construction of our new building. This was reflected in our bottom lines.

I&M BANK (RWANDA) PLC INTEGRATED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

CORPORATE GOVERNANCE

In the course of the year 2021, three new Non-Executive Directors were appointed to the Board. In that same year, two directors retired from the Board.

The Board has kept a good balance by having resident directors which have proven to be beneficial to the bank mostly during this unprecedented time.

DELIVERING FOR OUR SHAREHOLDERS

The Bank paid the dividend that was declared in the 2019 financial year and approved in 2020. I am also pleased to announce that the Bank will resume dividend payments in line with directives by the National Bank of Rwanda (NBR).

The Board has recommended a dividend payment of FRW 1.2 per share subject to approval at the upcoming Annual General Meeting scheduled on 27th May 2022. The Bank is continuing to invest for growth and building capital.

MACRO-ECONOMIC REVIEW

The 2021 Financial Year commenced with brighter prospects for the Rwandan economy, as the impact of relaxed business and health measures taken at the end of the year 2020 had begun to take shape in the domestic economy.

With people and businesses keen to find a sense of normalcy, the country recorded a strong economic recovery with a Gross Domestic Product (GDP) growth of 10.9% after a contraction of 3.4% in 2020. (National Bank of Rwanda, Monetary Policy and Financial Stability Statement – March 2022).

In 2021, headline inflation decelerated to 0.8% on average, from 7.7% recorded in 2020. In 2022, new projections indicate an increase in the average headline to around 7.5%, threatening to exceed the upper bound of 8% towards the end of the year, with pressures coming from domestic and imported costs. (National Bank of Rwanda, Monetary Policy and Financial Stability Statement – March 2022).

The interbank market rate remained stable with a slight decline of 17 basis points to 5.18% on average in 2021 and the lending rate reduced by 17 basis points to an average of 16.18% in 2021 from 16.35% in 2020. Credit to the Private Sector (CPS) expanded by 14.7% in 2021, driven by higher growth in new authorized loans (+15.4%). (National Bank of Rwanda, Monetary Policy and Financial Stability Statement – March 2022).

As the end of December 2021, the Rwandan Francs (FRW) depreciated by 3.8% year-on-year against the US Dollar (USD), from depreciation of 5.4% in December 2020. The Rwandan Francs (FRW) is expected to depreciate in 2022 by around 5%. (National Bank of Rwanda, Monetary Policy and Financial Stability Statement – March 2022).

THE BANKING SECTOR

Against this backdrop, the Banking sector has proven resilient to the pandemic shock and continued to grow in the period under review. Total Assets and Deposits for the industry increased by 17% respectively closing at FRW 5,064 Billion and FRW 3,087 Billion respectively. The improved growth of assets of banks was mainly reflective of the expansion of customer deposits, borrowings from international lenders considering the favorable low-interest environment as well as growth in the capital base on the back of capital injections as well as retained earnings.

Lending by banks remains diversified, with Net Loans growing by 14% to FRW 2,714 Billion in 2021. The Non-Performing Ration (NPL) ratio, a major indicator of asset quality remained in line with December 2020 levels closing the year at 4.6%.

FUTURE OUTLOOK – MOVING AHEAD WITH CAUTIOUS OPTIMISM

While we are hopeful that the worst is behind us, we are also mindful of a shadow that has fallen over the world in recent months. With the Russia and Ukraine war, we cannot yet fully assess the full impact of this war on the political world order, on the global economy (i.e supply chain and price inflation) on our clients and our bank. But we as I&M Bank Rwanda have proven in the COVID-19 crisis that we are stable and that we are there for our clients in difficult times with our strong balance sheet and our first-class risk management. We will remain resilient and resolute to stay on course. We will continue to seek opportunities to drive our business forward with our diversified range of products by leveraging on our strong track record and capabilities that we have built over the years.

On a positive note, there are reasons to be cautiously optimistic in 2022. In Rwanda, the vaccination campaign has progressed at an impressively accelerated pace, thereby paving the way to a return to normal business activities, which in turn should support a gradual recovery in most affected sectors, with multiplier effects across the economy. The tourism sector in particular is set to revive from the expected Commonwealth Heads of Government Meeting (CHOGM) scheduled this June 2022. With around 10,000 guests expected, the summit is expected to drive economic recovery for MSMEs and value chains in the hospitality sector and beyond, many of which have had a rough two years.

Within the banking industry, we anticipate increased competitive pressures, with market players raising their game to align with evolving market dynamics. We can reasonably expect a continuous enhancement and sophistication of value offerings amongst players, with emphasis laid on boosting the recourse to disruptive technologies to meet the fast-evolving needs of customers. Further, the regulatory and compliance framework is likely to get even more stringent, in view of the increasingly complex and rapidly changing landscape.

Globally, the world economies are projected to grow by 4.4% in 2022, downward from 5.4% projections in 2021 according to January 2022 World Economic Outlook. We anticipate these projections to change in light of the developing geopolitical turmoil currently taking place in Europe with possible supply chain disruptions and increased inflations across all markets.

At I&M Bank Rwanda, we remain determined on implementing our strategy and investing in the future. As such, we will continue to create and consolidate the necessary building blocks for achieving sound, diversified and sustained business development.

Enhancing our capacity for growth will remain our foremost overarching strategic objective, going forward, in order to enable us to adapt to the new realities emerging in the wake of the pandemic and tap into the opportunities arising from the recovery across markets. In this context, we will maintain our innovative and customer-centric approach in our banking operations.

While the increasing availability and accessibility to information continue to simultaneously improve customer satisfaction and generate productivity gains, the Bank shall, on an ongoing basis, ensure that, as part of the extensive use of technology and information management within its banking operations, it systematically and effectively manages emerging risks linked to the protection of information at large.

Last, but certainly not least, we will, as part of our ongoing people-management development initiatives, further strengthen our people capabilities, aimed at building the workforce of the future with a specific focus on: (i) career development plans to upskill our talent pool in tune with our strategic needs; (ii) the strengthening of our learning infrastructure, backed by online and offline training; (iii) the further development of an inspiring and rewarding learning culture; and (iv) the development of strong in-house talent leaders and developers.

CONCLUDING REMARKS

On behalf of the Board, I would like to convey my sincere gratitude to our customers for their continued loyalty and to our shareholders for their continuing trust in our ability to grow our business.

My gratitude also goes to my fellow directors and to our employees across all areas of the Bank for their hard work, professionalism, and commitment. I acknowledge the support of our partners: suppliers, contractors, vendors, and providers of professional services for which we remain very grateful.

We are fortunate to operate in an enabling environment supported by the Government of Rwanda through forward-looking policy implementation promoting investment in the country. And this was greatly highlighted in the tackling and handling of the COVID-19 pandemic.

Looking to the future there is no doubt that there will be headwinds in 2022 but we are well-positioned to deal with these and committed to working with all stakeholders so that we all emerge stronger and continue to take advantage of the opportunities presented by the expected improvement in the operating environment.

- END -

CEO'S STATEMENT

> "Even with tremendous technological enhancements and capabilities, I&M Bank (Rwanda) Plc will always be a company that succeeds through its talent."

69.2%

The easing of business activity restrictions and improved macroeconomic conditions resulted in a reduction in credit provisioning by 69.2% year on year.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Navigating a global pandemic

As it did in 2020, the pandemic affected nearly every aspect of life and business in 2021, albeit in different ways. Under these conditions, we leveraged what we learned and developed new ways of adapting to support our clients and each other consistently.

While the pandemic presented no shortage of challenges, it did accelerate our investment in the digitalization of our business. This created a more seamless and efficient experience for our clients, as well as presented new ways for us to innovate and expand.

Even with tremendous technological enhancements and capabilities, I&M Bank (Rwanda) Plc will always be a company that succeeds through its talent. It is the expertise and skills of our people that, when combined with our robust technology.

I will use the bulk of this letter to briefly summarize events of the past year and provide an outlook for 2022.

FINANCIAL PERFORMANCE

From a financial perspective, the Bank delivered a solid performance in 2021, underscoring the effectiveness of our iMara 2.0 strategy. We delivered top-line growth across all our business segments– the standout being our Business Banking' customer base growing by 80% year-on-year.

Operating income increased by 7% year-on-year to FRW 33.4Billion. This was supported by growth in our Interest Income by 14% - driven primarily by increased investment in long-term government securities because of the persisting excess liquidity situation prevailing in the country and revenues from customer loans by 6% realized on the back of improved market conditions.

Our diversification strategy led to an improvement in the Bank's fees and commissions. In contrast, foreign currency revenues bore the brunt of the challenging demand and declined compared to the position in 2020, mainly due to lower trading volumes coupled with high volatility.

Operating expenses increased by 16% on the back of ongoing investment in capacity-building initiatives, notably linked to our digitization efforts. We recorded a decrease in the cost-to-income ratio from 69.45% (December-2020) to 65.39% as of the end of December 2021.

The easing of business activity restrictions and improved macroeconomic conditions resulted in a reduction in credit provisioning by 69.2% year on year.

As a result, the Bank delivered a profit before tax of FRW 10.9Billion. This was up by 40.1% from RWF 7.8Billion reported in 2020.

Similarly, our deposit liabilities increased to FRW 327Billion, up 9.6% from FRW 298Billion in December 2020.

The Bank remains well-capitalized with Tier I & Tier II capital adequacy ratios of 18.09% and 20.76%, despite the significant growth in risk-weighted assets (RWAs) while maintaining healthy liquidity and funding position.

Furthermore, asset quality improved with the Non-Performing Loans Ratio declining from 3.51% to 3.45%.

I&M Bank (Rwanda) Plc's GCR credit rating was upgraded to A/A1 for long and short-term issuer ratings respectively, on the back of a strengthened capital position supported by the rights issue which raised FRW 8Bn in Financial Year 2020, resilient asset quality amidst a challenging operating environment, sustained sound funding structure, and robust liquidity.

After a year during which we were restricted from paying dividends, because of the substantial uncertainty resulting from the outbreak of the pandemic, the Bank was permitted to pay dividends for the financial year 2019 approved during the 2020 Annual General Meeting.

DIGITAL UPTAKE

Our last report indicated a behavioral change we noted in the uptake of digital transactions compared to over-the-counter transactions. Even with the easing of business and movement restrictions throughout 2021, our daily transactions processed through technology closed at 74% from 72% recorded in 2020 (2019 levels: 35%), indicating the promising adoption of digital channels by the market.

STRATEGIC PERFORMANCE

The Bank continues to monitor customer service and engagement via a number of empirical means; namely conducting mystery shopper surveys in our branch network and tracking our monthly net promoter score. We use this data to continuously change and adapt the way we work.

In 2021 the Bank fully actualized the MSME Strategy, and we have witnessed the successful results of deployed initiatives. We noticed that during the pandemic some of the impacted customers wanted more physical conversation with the Bank. So, we have deployed our staff throughout all our branches, and it has yielded impressive results. Our Business Banking customer base grew by 72%. The volume and value of authorized loans to MSMEs have increased by 23% and 106% respectively compared to the previous year.

Our digital journey has taken another step forward. firstly, MSME clients can currently apply for any facility through the Bank website. Secondly, we have also automated the loan origination process to speed up the approval journey. the onboarding process for retail clients and sole proprietors can now open digitally their new bank accounts in I&M bank from anywhere.

As part of its collaboration with Investing for Employment (IFE), the Bank continued to provide MSMEs with grants to sustain production and employment. Under this grant and financing arrangement, the Bank has helped to retain the jobs of more than 2100 MSME employees and supported 145 MSMEs. IFE is an investment mechanism created by KfW Development Bank on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ)

On the personal banking front, our retail segment grew by 5% its assets and by 15% its deposits held for customers. The number of accounts increased by 8,500 accounts opened during the year, achieved on the back of effective targeted campaigns, instant card issuance service, and efficient turn-around time (TAT) to ensure excellent service to our customers.

In April 2021, we added Bancassurance among other existing services we provide, and we continue to increase our reach through the addition of new products.

The Bank made further progress in implementing its digital strategy, most importantly with the transformation to become a leading digitally enabled Bank with 9,000+ customers onboarded on the bank's digital channels in 2021. After leveraging on group synergy to roll out an intercountry banking service to enable our customers to carry out banking activities across the region seamlessly, we are partnering with Bank One Mauritius to enhance our retail and high net-worth individual offerings by developing FCY mortgages for Diaspora customers and developing our first wealth management product for select customers. This is expected to emphasize our commitment to the Diaspora community and our appetite to grow the retail segment further.

To further enhance our digital offering and bring the Bank closer to our clients, we have rolled out Point of Sale (POS) to large corporates and MSME customers. We have been able to leapfrog technology being the first bank in Rwanda to enable contactless transactions, using Android devices, and gain a competitive advantage for businesses through seamless reconciliation and fast settlement. The implementation of our strategy is proceeding according to plan and the operating business is also developing well which includes the development of new digital products and services in the Retail and MSME businesses, which reimagines the way financial services can be tailored to individual customers and MSMEs, and the ambition to provide a leading digital experience.

OUR PEOPLE, OUR CARE

Our employees are our most valuable resource, and we strongly believe that our success depends upon establishing and maintaining a team able to perform to the best of their abilities. With due emphasis laid on talent management and strategic acquisition, we continued to enable our employees to deliver the highest standards.

In response to the pandemic, we resolved to put their health and well-being first. One of such decisions was facilitating remote work where necessary and complete adherence to our government's health guidelines.

The mental well-being and wellness of our people is of paramount importance. Through the establishment of mental health hubs and the engagement of professional service providers, we enabled our people to cope and adapt to the new ways of doing business and of serving customers.

Our annual survey once again indicates a high engagement score across the board, demonstrating the absolute commitment of our employees to our customers.

In the course of 2021, we kicked off a culture transformation program, "Pamoja – together we shine" aimed at enhancing our "Customer-First" philosophy.

The "Pamoja" program fits under the culture transformation–a key enabler of our iMara 2.0 strategy – and will cement the Bank's commitment to working together, cross-functionality, and across country borders, in a bid to take the Bank and the Group to the next level.

AWARDS & RECOGNITION

The solid credentials of the Bank have been acknowledged and rewarded in several ways. In 2021, the Bank was the recipient of the following:

- Best Bank in Rwanda by Capital Finance International (CFI).
- "Product innovation of the Year" in the gold category by the SME Finance Forum in partnership with International Finance Corporation (IFC); and
- Best Large Taxpayer 2021 by Rwanda Revenue Authority.

These accolades were achieved as a result of the hard work put in by our staff and Management team. We commit to continue excelling in all we do as we ensure the provision of good service and products tailored to meet our customers' unique needs.

OUTLOOK FOR 2022

The operating environment continues to warrant a vigilant eye with the global economic recovery remaining uneven and fragile. Notwithstanding encouraging trends across multiple business sectors, the outlook locally remains subject to significant uncertainties. That said, progress on the vaccination front in Rwanda and further easing of health restrictions and lockdown measures promise a gradual and much-needed recovery of the economy.

We are also conscious of the increased competitive pressures that are likely to persist in the market, linked to the more extensive use of the latest technologies by different market players, the increasing reach of Fintechs, and ongoing mergers & acquisitions within the banking industry.

Mindful of the highly dynamic context, we will pursue the execution of our strategic objectives in a disciplined manner. We plan to focus on improving our mortgage offerings to reassert our leading position in the home finance market and leverage a series of initiatives taken to provide a better personal banking experience.

Our focus is now to build on our solid foundation and continue the revenue diversification program of non-core businesses in line with our strategy – which has generated FRW 1.4Billion of new revenues in 2021, and with an aim to double the revenues in the year ahead.

We recognize the importance of achieving the best results for all stakeholders. This includes the development of new digital products and services on the retail and MSME fronts, which reimagine the way financial services can be tailored to individual customers, MSMEs, and the ambition to provide a leading digital experience.

CONCLUDING NOTES

With an extraordinary 2021 behind us, I feel incredibly optimistic about our company. We have a strong financial profile. We are investing on a larger scale than ever to fuel future growth. We have the talent, technology and data to support the critical decision-making needed by our customers. And we have a unifying purpose, strategy and culture. All these things make me very hopeful about the future of I&M Bank (Rwanda) Plc.

I want to close by thanking our clients, shareholders, and employees for their unwavering trust in our company. Your trust and support allow us to do the work that we do and motivate us to always strive for better on your behalf.

I wish to express my gratitude to our Board of Directors for their sustained guidance and continued support in preserving the stability of our operations while guiding the organization through the persistently complex and challenging operating environment in which we have been confronted

Thank you for your loyalty and continued support.

-END-

TO REINFORCE OUR COMPETITIVE EDGE IN RWANDA, THE BANK LAUNCHED NEW INNOVATIVE PRODUCTS TO MEET THE EVER CHANGING AND DYNAMIC NEEDS

DIRECTORS AND STATUTORY INFORMATION

BOARD OF DIRECTORS

RWANDAN
BONAVENTURE NIYIBIZI
Chairman – Independent director appointed on 11th January 2021
ALICE NKULIKIYINKA
Independent director
CRYSTAL RUGEGE
Independent director

INDIAN
SOUNDARARAJAN MADABHUSHI
Independent director retired on 7th September 2021

KENYAN
NIKHIL HIRA
Independent director
ARUN S. MATHUR
Non-executive director resigned effective 1st July 2021

SOUTH AFRICA
ROBIN C. BAIRSTOW
Chief executive officer

DUTCH
JULIUS TICHELAAR
Non-executive director

BRITISH
CHRISTOPHER LOW
Non-executive director appointed on 18th February 2021
ALAN DODD
Independent director appointed on 8th September 2021
PAUL SIMON MORRIS
Independent director

COMPANY SECRETARY

Iddy Rugamba
KN 3 AV/9
P O Box 354
Kigali - Rwanda

AUDITOR

KPMG Rwanda Limited
Certified Public Accountants
Grand Pension Plaza
Boulevard de la Révolution
P O Box 6755
Kigali -Rwanda

REGISTERED OFFICE

I&M Bank (Rwanda) PLC
KN 3 AV/9
P O Box 354
Kigali - Rwanda

CORRESPONDENT BANKS

AFRICA

NATIONAL BANK OF RWANDA
P.O. Box 531
Kigali, Rwanda

I&M BANK (T) LIMITED
Maktaba Square
Maktaba Street
P.O. Box 1509
Dar es Salaam, Tanzania

I&M BANK LIMITED
I&M Bank House
2nd Ngong Avenue
P.O. Box 30238- 00100 GPO
Nairobi, Kenya

BANK ONE LIMITED
16 Sir William Newton Street
Port Louis, Mauritius

KCB KENYA LTD
Kencom House,
Moi Avenue,
Nairobi, Kenya

FIRSTRAND BANK LIMITED
P. O. Box 650149
Benmore, 2010
Sandton, 2196

NORTH AMERICA

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3800 Citibank Center
Building B,3rd Floor
Tampa, FL 33610

EUROPE

ODDO BHF AKTIENGESELLSCHAFT
Bockenheimer Landstrasse 10
60323 Frankfurt/M

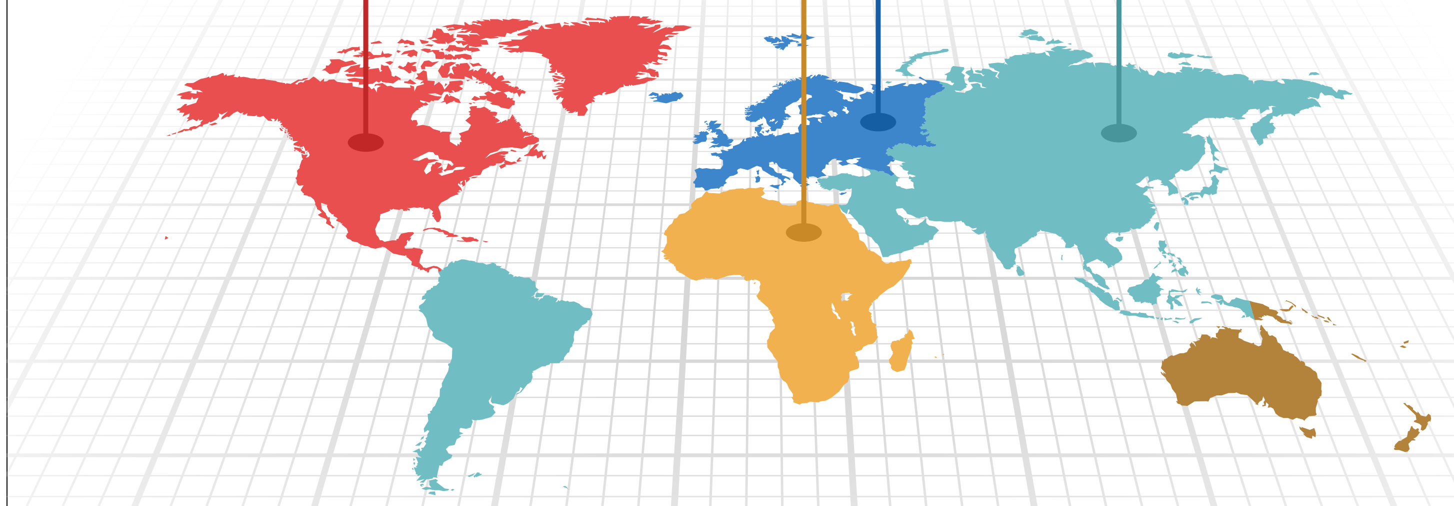
CITIBANK N.A LONDON
E14 5LB
25 Canada Square,
Citibank Center
London

COMMERZ BANK
60261 Frankfurt
Germany

ASIA

YES BANK LIMITED
Nehru Center 9th Floor,
Discovery of India
Dr. A.B. Road
Worli, Mumbai 400018

ICICI BANK LIMITED,
Vadodara, India
Old Padra Road,
Village-Versamedi,
Anjar, Vadodara,
Gujarat, 700013



BOARD OF DIRECTORS

Our Board comprises 9 Directors. The Directors bring to the table diverse experiences and industry backgrounds including Accounting, Banking, Investment Banking and technology, along with several years of accumulated and individual experience and knowledge. The Board consists of 6 Independent Non-Executive Directors, 2 Non-Executive Directors and 1 Executive Director. The profiles of the Members of the Board are detailed here below:

BONAVENTURE NIYIBIZI
CHAIRMAN

Bonaventure re-joined the Bank's Board of Directors in January 2021. He holds a B.Sc. in Agricultural economics from Kisangani University and an MBA in Finance from SFB. He was the Managing Director of Cogebanque, Head of Privatization Secretariat, Director General of the Rwanda Investment Promotion Agency, Chairman of the Rwanda Utility Regulatory Agency, and Chairman of the Rwanda Public Service Commission. He has vast experience and knowledge having spent a significant part of his career in both public and private sectors in Rwanda where he served as Minister of Commerce,Cooperative and Industries, and Minister of Energy, Water and natural resources.

ROBIN C. BAIRSTOW
CHIEF EXECUTIVE OFFICER

Robin was appointed as a Managing Director in September 2015. He is an experienced Corporate Banker and has a successful track record with over 30 years in the financial services sector with both domestic and international banking organizations. Prior joining I&M Bank, he held senior positions at Standard Chartered Bank, Citibank NA, BOE Bank and Nedbank across Central Africa, East Africa and South-East Asia. Robin is a graduate of the South African Merchant Naval Academy and holds a CIBM (SA) and a Diploma in Business Administration from the University of Leicester.

CRYSTAL RUGEGE
INDEPENDENT DIRECTOR

Crystal has a bachelor's degree in computer science from Grambling State University and a master's degree in information systems and management from Carnegie Mellon University. She is currently working with the Centre for the Fourth Industrial Revolution Rwanda as the Managing Director. Prior to this role, she was the Director of Strategy at Carnegie Mellon University Africa. She started her career as a software engineer at IBM's Silicon Valley Lab.

CHRIS LOW
NON-EXECUTIVE DIRECTOR

Chris joined the Bank's Board of Directors in February 2021. He holds a Masters degree in Arts from Oxford University and is a Fellow of the Institute of Chartered Accountants in England and Wales. A seasoned banker having spent considerable time in the areas of international banking, digital transformation, emerging markets, risk management and financial inclusion for over 30 years, he brought on board a vast wealth of experience having served across several countries including Sub-Saharan Africa in executive roles.

JULIUS TICHELAAR
NON-EXECUTIVE DIRECTOR

Julius is a partner at AfricInvest, one of the leading investment firms in Africa which he joined in 2007. Julius has a vast experience in the Private Equity industry with sourcing, structuring, and execution of transactions across Africa. Julius currently covers the financial services industry in East and Southern Africa and is a member of the Board of various financial institutions across Africa. He holds a Master of Science (MSc) in Business Administration with a specialization in Finance from the Erasmus University in Rotterdam.

PAUL SIMON MORRIS
INDEPENDENT DIRECTOR

Simon is an experienced international banker who has served in various senior positions in Europe, Asia and Africa with Standard Chartered Bank Group and 2 large local banks in Mongolia and Vietnam. He has experience as a Chief executive Officer for 15 years in 6 countries in Asia, Simon also worked in Africa as the Regional head of Consumer Banking Africa for Standard Chartered Bank. Simon holds an MBA from the Henley Business School in the UK.

NIKHIL HIRA
INDEPENDENT DIRECTOR

Nikhil is the Regional Representative of the Eastern Africa Association, a Director at Bowman and former partner of Deloitte East Africa, he joined the board in February 2019. Previously he headed the tax practice for Deloitte in the East Africa region. Nikhil is also a member of the board of I&M Bank (Rwanda) Plc and Chairman of the board of GA Insurance Ltd in Kenya. He holds a BSc Joint Honours in Accountancy and Process Engineering from University of Salford, England. He is a Fellow of the Institute of Chartered Accountants of England and Wales, Fellow of the Institute of Certified Public Accountants of Kenya and also registered with similar institutes inUganda and Tanzania.

ALICE NKULIKIYINKA
INDEPENDENT DIRECTOR

Alice is the Managing Director of Business Professionals Network Rwanda (BPN Rwanda), a Swiss international non-profit organization that fosters entrepreneurship worldwide. Prior to returning to her home country, she worked close to fifteen years in the banking sector in the renown Swiss firms Telekurs (Six Group) and Avaloq where she held different managerial positions in Europe, America and Asia. Mrs. Alice Nkulikiyinka holds a Master of Science in Economics and Computer Science, University of Applied Sciences Worms, Germany and a Master of Science and Information Management, University of Constance, Germany.

ALAN DODD
INDEPENDENT DIRECTOR

Mr. Dodd has a wealth of experience having served the banking industry in various executive capacities both in Kenya, as well as Asia and the Middle East. The first 28 years of his career were spent with Standard Chartered Group, latterly in East Africa where he rose to the position of Executive Director responsible for Corporate and Service Quality. In 2006 he joined NIC Bank Kenya Ltd, which subsequently became to be known as NCBA, where he held the positions of Executive Director responsible for Corporate, Asset Finance, including Leasing, and Bancassurance until the end of 2020. Following 43 years in the Banking industry, Mr. Dodd was approved by the Central Bank as Independent Non-Executive Director of I&M Bank (Rwanda) Plc on 8th September 2021, He was educated in the United Kingdom where he obtained an Honours degree in Economics from Portsmouth University and presently is a member of The London Institute of Banking and Finance.

IDDY RUGAMBA
COMPANY SECRETARY

Iddy has 10 years' experience in the Rwandan Banking Sector with extensive knowledge in Corporate Law, Corporate Governance, Regulatory Environment, Banking Operations and Structured Transactions and was the Bank's Legal Manager before his appointment as the Bank's Company Secretary. Prior to joining the Bank, he worked with KCB Bank as a Legal Manager. Iddy holds a Bachelor's Degree in Law, Master's Degree in Business Law and a Post Graduate Diploma in Legal Practice.

EXECUTIVE COMMITTEE

The Bank has successfully attracted and retained skilled management combining several years of experience, to develop strong relationships with stakeholders and ensure efficient decision making. The 11 members core Management Team brings to the Bank diverse hands on experience including in depth expertise in Operations & Management, Accounting, Finance, Audit and ICT etc.

ROBIN C. BAIRSTOW
CHIEF EXECUTIVE OFFICER

Robin was appointed as a Managing Director in September 2015. He is an experienced Corporate Banker and has a successful track record with over 30 years in the financial services sector with both domestic and international banking organizations. Prior joining I&M Bank, he held senior positions at Standard Chartered Bank, Citibank NA, BOE Bank and Nedbank across Central Africa, East Africa and South-East Asia. Robin is a graduate of the South African Merchant Naval Academy and holds a CIBM (SA) and a Diploma in Business Administration from the University of Leicester.

PAUL SAGNIA
CHIEF OPERATING OFFICER

Paul joined I&M (Rwanda) Plc as the Project Consultant in charge of the Core Banking System change in June of 2016. Following a successful migration to the new Finacle 10 system in September of 2018, Paul was appointed Chief Operating Officer effective 1st May 2019. Paul joined the Bank from Standard Chartered Bank where he served in senior positions in several countries across the Standard Chartered Bank footprint in Africa. He is a dedicated banker with a strong flair for innovation and management of banking operations and the use of ICT in banking acquired during a career spanning 39 years.

DEDERI WIMANA
CHIEF FINANCE OFFICER

Dederi is a chartered certified accountant with more than 21 years of experience in the banking industry. Prior to joining the I&M Bank Rwanda in 2005, she worked with Bank of Kigali for 7 years as a Financial Accountant. Throughout her career, Dederi earned immense experience in internal auditing and accounting, planning, international reporting (IFRS), procurement procedures and Bank budgeting processes. She holds a bachelor degree in Economic sciences, Finance major, a Chartered certified accountant (ACCA) and is currently pursuing the CIA (Certified Internal auditor) Certification.

CYNTHIA RWAMAMARA
HEAD OF INTERNAL CONTROL AND COMPLIANCE

Cynthia is the Head of Internal Control and Compliance with over 15 years' experience in the Rwandan banking industry mainly in the fields of audit, compliance and risk. She joined the bank in 2009 as the Deputy Manager in the Internal Control and Compliance unit until June 2016 when she was promoted to Head of Internal Control and Compliance. She holds a Master of Business Administration from Oklahoma Christian University and is currently pursuing CAMS (Certified Anti Money Laundering Specialist).

LISE MUGISHA
CHIEF RISK OFFICER

Lise is the Chief Risk Officer. She is responsible of the implementation of the Enterprise Risk Management in the Bank. Lise has experience of 5 years in the Banking industry and over 8 years' experience in the fields of Risk Management, Audit, and Internal Control. Prior to joining I&M Bank Rwanda, she worked with EY (Ernst & Young) as an Auditor in the Assurance and Advisory services. She holds a bachelor's degree in Business Studies, and she is currently pursuing an ACCA qualification.

NICOLAS UWIMANA
HEAD OF LEGAL

Nicolas holds a master's and a bachelor's degree in Law, respectively, from the University of Turin, Italy and the University of Rwanda. Nicolas also holds a Post Graduate Diploma in Legal Practice. He joined the Bank in 2009 and served as Deputy Head of Legal. Before joining the Bank, he worked for the Public Sector where he served as Legal Adviser at Rwanda Public Procurement Authority and Legal Expert in the Procurement Reform Task Force within the Ministry of Finance and Economic Planning. Nicolas has more than 17 years' experience (in both public and private sectors) where he has been involved in legal drafting; contract drafting and reviewing; taking part in solving conflicts, and regulatory investigations.

NORBERT MWANANGU
GENERAL MANAGER - RETAIL

Norbert is the General Manager, Retail and has served the bank for over 17 years. In his role, he develops and maintains the Bank's portfolio, coordinates and supervises the retail department. Prior to his current role, Norbert was the Head of Retail Banking. He also worked as a Retail Sales Manager and Deputy to the Head of Retail Banking. He holds a bachelor's degree in Management from the Kigali Independent University.

YVON ABANE
HEAD OF TREASURY

Yvon is the Head of Treasury of I&M Bank (Rwanda) Plc and has experience of over 6 years in Treasury management. Prior to the current position, he joined the bank as Treasury dealer and grew to the position of Senior Treasury Dealer. He holds a Bachelors of Economics and Master of Arts in Economics.

PACIFIQUE NKONGOLI
HEAD OF CREDIT

Pacifique is a professional Banker with over 16 years of experience across the risk management field including credit risk management, market risk management as well as operational risk management in the banking industry in Rwanda and Nigeria. Prior to joining I&M Bank, Pacifique worked with 3 other Banks in the industry including Access Bank Rwanda where he previously served as the Chief Risk Officer. Pacifique Holds Master's degree with a Major in Finance from Adventist University of Central Africa (AUCA)

OLIVIER GAKUBA
DIRECTOR - BUSINESS DEVELOPMENT

Olivier is an alumnus of the Prestigious Wharton School -Executive Education- of the University of Pennsylvania, USA. He also holds a master's degree in Business Administration (MBA) at Baraton University in Kenya and an MBA in Leadership & Organizational Development from Oklahoma Christian University, USA. Olivier has over 16 years' experience in the banking industry in the East African Region where he worked in different capacities overseeing several departments, including Corporate Banking, Commercial Banking, Personal & Business Banking and Women Banking. He left Access Bank in January 2021 as Senior Manager-Group Head, Strategic Business Units to join I&M Bank (Rwanda) Plc.

STEVE MUTSINZI
HEAD OF AUTOMATION AND ECOMMERCE

Steve is a professional banker with 15 years of experience. He is the current Head of Automation and Ecommerce. He joined the Bank in 2007 as an Internal Auditor and rose through the ranks as Deputy Chief Internal Auditor before moving to the Credit department in 2013 as Deputy Head of Credit. In 2020, he was promoted to Head of Business Intelligence then in 2021 to Head, Credit Analytics overseeing key group credit related projects. Steve has built competence in Audit, Risk Management, Credit Analysis, Portfolio Management and Business analytics. He holds an MBA in Finance from Oklahoma Christian University (USA) and a bachelor's degree in Economics from Kigali Independent University.

RWANDA

WESTERN

RUSIZI BRANCH
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RUBAVU BRANCH
Rubavu District
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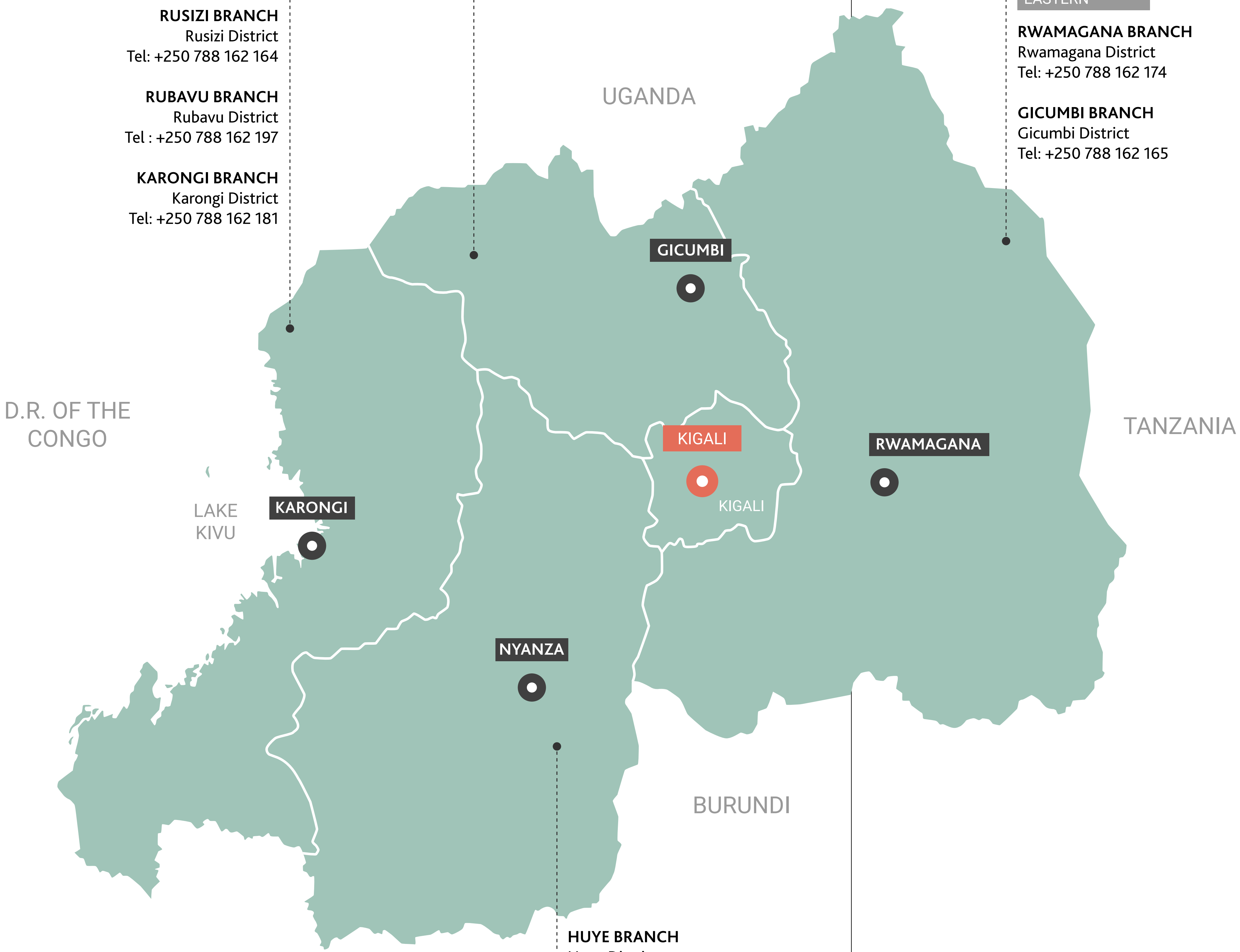
KARONGI BRANCH
Karongi District
Tel: +250 788 162 181

NORTHERN

MUSANZE BRANCH
Musanze District
Tel: +250 788 162 170



EASTERN

RWAMAGANA BRANCH
Rwamagana District
Tel: +250 788 162 174

GICUMBI BRANCH
Gicumbi District
Tel: +250 788 162 165

HUYE BRANCH
Huye District
Tel: +250 788 162 163

SOUTHERN

KIGALI BRANCHES

HEAD OFFICE-RWANDA
KN 03 Avenue 9
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P O Box 354
Kigali-Rwanda

REMERA BRANCH
Gasabo District
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KIGALI HEIGHTS BRANCH
Gasabo District
Tel: +250 788 162 160

NYAMIRAMBO BRANCH
Nyarugenge District
Tel: +250 788162 188

NYABUGOGO BRANCH
Nyarugenge District
Tel: +250 788 162 162

CHIC COMPLEX BRANCH
Nyarugenge District
Tel: +250 788 162 162

KIGALI CITY MARKET BRANCH
Nyarugenge District
Tel: +250 788 162 182

CASH AND DEPOSIT COUNTERS

KENYA AIRWAYS
Nyarugenge District
KIC Building
Tel: +250 788 162 026

MAGERWA
Kicukiro District
Magerwa Office
Tel: +250 788 162 169

KIREHE
Kirehe District
Tel: +250 788 162 174

IN 2021, OUR MSME STRATEGY WITNESSED SIGNIFICANT RESULTS FOLLOWING THE LAUNCH AND CAMPAIGN OF "GANZA WITH I&M"

NEWS

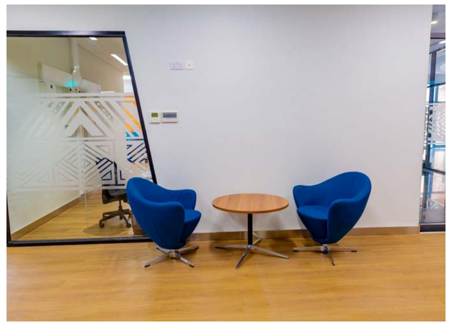
kwibuka27
kwibuka twiyubaka

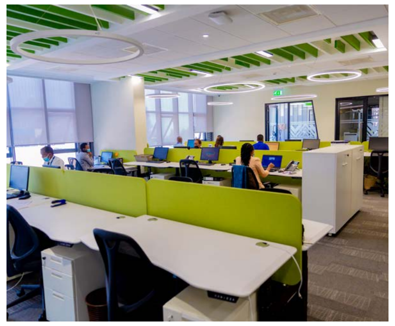
KWIBUKA 27

I&M Bank (Rwanda) Plc's Staff honored the lives of 25 former employees of Banque Commerciale du Rwanda (BCR) who were killed in the 1994 Genocide against the Tutsi. The commemoration event happened virtually, while the CEO Robin Bairstow and some staff laid a wreath at the Kigali Genocide Memorial site and lit candles to honor the victims. The Bank also organized a vigil where Theogene Kalinamaryo, a representative from the National Commission for the Fight against Genocide (CNLG) explained to the Bank staff and other participants how the 1994 genocide against the Tutsi was planned and executed by the Government at the time. It is through this that the Bank continues to fulfill its commitment to contribute to the prevention of future conflicts through education.

NEW BUILDING

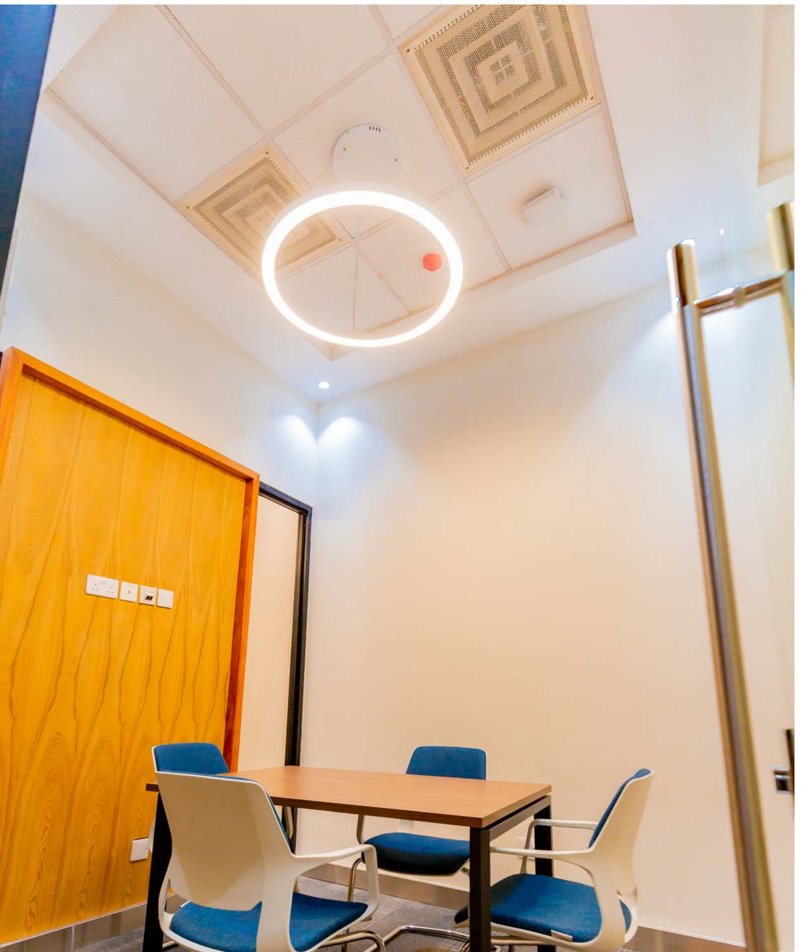
After 5 years of construction work, I&M Bank (Rwanda) Plc. moved into its iconic new building in July 2021. The Bank's Frw 25bn investment in its new headquarters in Kigali supports the Kigali City Master plan and is a testament to the confidence that the investors have in the business environment and the long-term perspective of the Rwandan economy and leadership. The building provides an attractive and original addition to the City of Kigali's skyline. As a Green Building, the roof's photovoltaic cells and siphonic draining system creates a significantly reduced carbon footprint of the entire complex with the Bank being able to reduce requirements for power and water consumption by 70 percent.

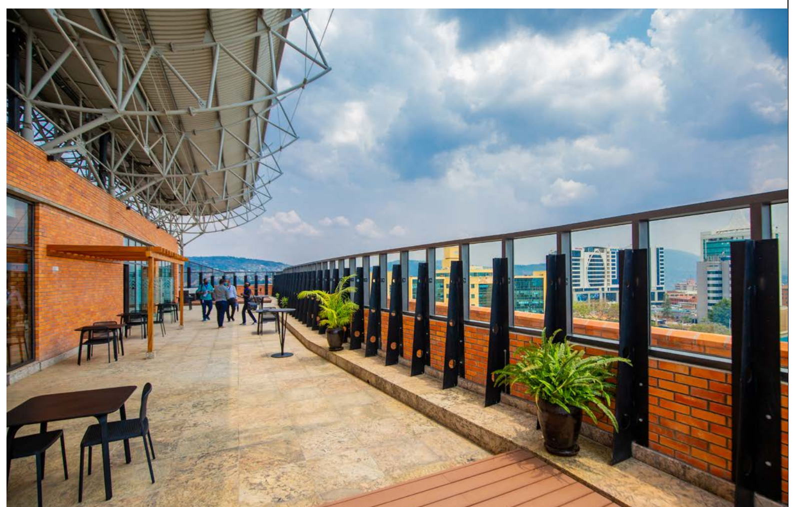




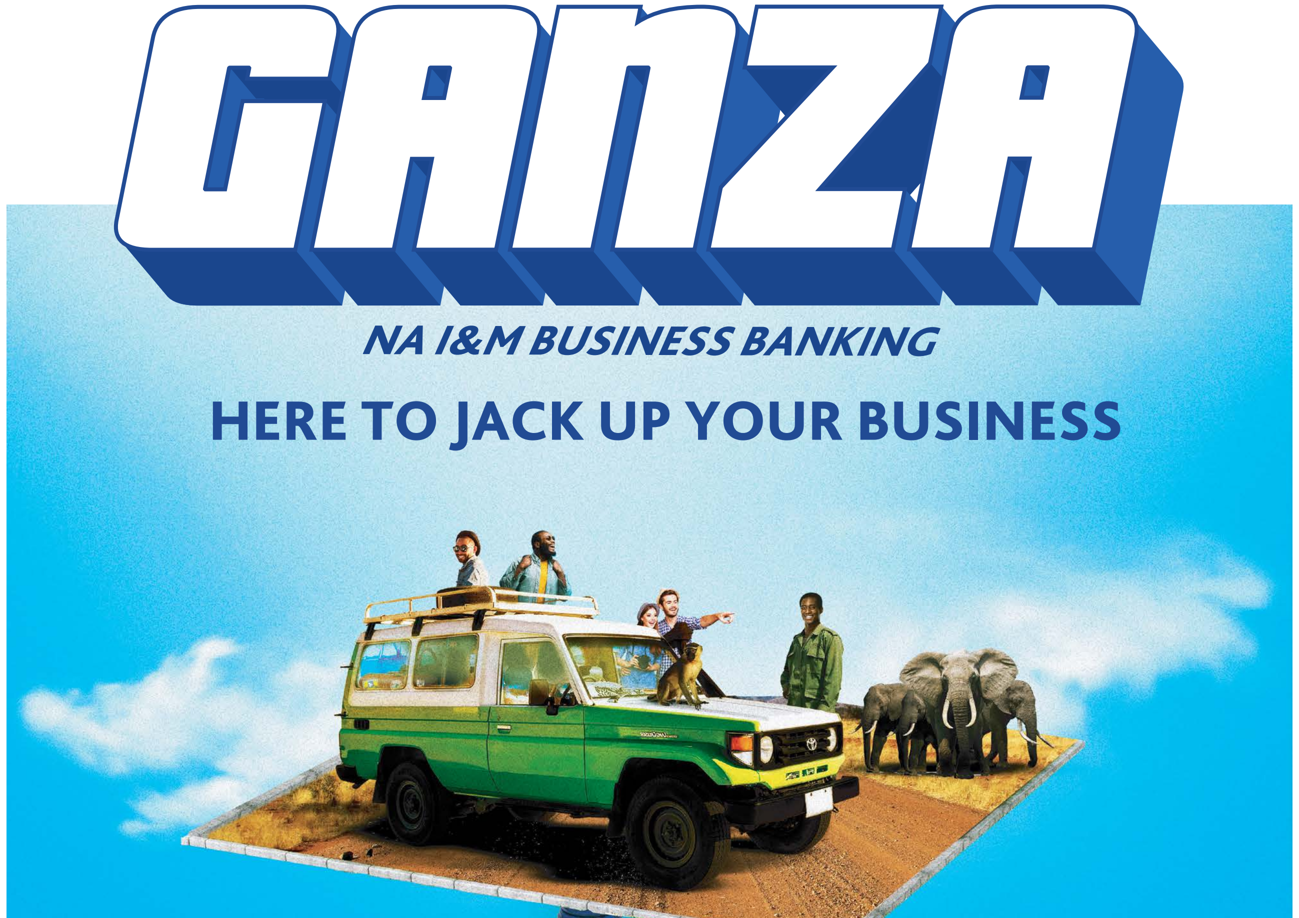
PHYSICAL REBRAND

In October 2021, I&M Bank Rwanda Plc completed the physical rebrand of all the branches to the new I&M Bank logo to mark the completion of our rebrand exercise. The Bank's new logo symbolizes a feeling of trust, balance, and stability within the I&M Bank Society.





NEWS AND CSR 2021



GANZA NA I&M BUSINESS BANKING

To reaffirm I&M Bank (Rwanda) Plc's commitment to supporting microbusinesses, small- and medium-sized enterprises (MSMEs), the Bank launched a campaign called Ganza na I&M Business Banking to elevate the market of MSMEs. With this campaign, the Bank offered to this segment a revamped offering focusing on customer value proposition, tailor-made products, as well as credit risk management. Further undertakings fall on the non-financial front including advisory services, capacity building in customer management, product development and credit management.

RYA UBUZIMA

To allow our customers to enjoy the festive season, the Bank launched the #RyaUbizima campaign (which means Enjoy Life) to allow customers to postpone loan repayment for 2 months, get loan top-ups and ask for new loans during the festive season.

MENTAL HEALTH

I&M Bank (Rwanda) Plc in partnership with Mental Health Hub (mHub), an African network of mental health organizations currently located in Rwanda, Kenya, and South Africa launched an employee wellbeing program. mHub was engaged to assist employees in coping with possible mental health issues that might arise as a result of Covid-19. They offer prevention workshops, wellness classes, on-demand training, and counseling.

NEWS AND CSR 2021

OUR WINS

1

PRODUCT INNOVATION OF THE YEAR

(GLOBAL SME FINANCE AWARDS 2021)

I&M Bank (Rwanda) PLC was recognized as the Product Innovation of the Year Winners at the Global Finance Awards 2021 organized by the SME Finance Forum in partnership with the International Finance Corporation (IFC).

BEST BANK IN RWANDA 2021

(CAPITAL FINANCE INTERNATIONAL – CFI.CO)

I&M Bank (Rwanda) PLC was also recognized as the Best Bank in Rwanda 2021 by Capital Finance thanks to the launch of SPENN; Rwanda's first blockchain-powered app. SPENN is helping to connect unbanked Rwandans with financial services. SPENN's customer base is approximately 400,000 and the Bank anticipates that this will triple in the next 2 years.

2

3

BEST LARGE TAX PAYER'S AWARD

In December 2021 during the Rwanda Revenue Authority's Taxpayers Appreciation Day ceremony held under the theme 'Moving forward together for Economic recovery' and graced by His Excellency the President of the Republic of Rwanda, I&M Bank (Rwanda) Plc was awarded the Best Large Taxpayer 2020 award where we were recognized for being compliant and consistent in contributing to Rwanda's economic development. We commend the good work done by the Finance team which has led to this achievement, Congratulations to you, keep up the good work.

A WhatsApp and Win campaign was launched to drive customers to use I&M WhatsApp Banking. Whatsapp banking allows you to use this social platform to do more than just chatting and sharing videos. With this campaign, the Bank was able to increase the number of customers onboarded on our digital platforms.

CSR

Community-Based Health Insurance Coverage

In December 2021, the Bank in partnership with the City of Kigali covered insurance premiums for 3,500 vulnerable citizens of 2 districts in Kigali.

Rwanda Bookmobile Initiative Christmas Show

As we continue to build our partnership with Rwanda Bookmobile, a local NGO children's library designed to foster a love of reading, I&M sponsored the RBI Christmas special that ran on three televisions to revive storytelling, for the benefit of Rwandan children and their families.

Hope and Homes for Children Christmas Celebration

In partnership with Hope and Homes for Children, an NGO which focuses on family and community-based initiatives, the Bank celebrated Christmas with 200 children living with disabilities in the Ngarama Sector in the Eastern Province.

School Tuition Coverage

For the 6th year in a row, the Bank partnered with Edified Generation to cover tuition worth 3,500,000 Frw that will cover school fees and other learning materials for five children from vulnerable families in Rwanda.

Tree-Planting Initiative in Gihembe Refugee Camp

In November, the Bank partnered with UNHCR on a tree-planting initiative to plant over 60,000 tree seedlings in the Gihembe refugee camp which is facing serious environmental issues.

THE BANK'S FINANCIAL STRENGTH REMAINS ROBUST WITH OUR BALANCE SHEET AND LIQUIDITY POSITION PROVIDING THE SUPPORT NECESSARY TO PURSUE NEW INVESTMENT OPPORTUNITIES THAT WILL DELIVER SHAREHOLDER VALUE GROWTH

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2021, which disclose the state of affairs of the I&M Bank (Rwanda) Plc (the "Bank").

Principal activities

The Bank is engaged in the business of banking and provision of related services: Banking is a business activity of accepting and securing money owned by individuals and enterprises and provides liquidity needs for businesses and families to invest for the future. The Bank also charges a certain amount of rate of interest on the amount sanctioned.

Results / Business review

Profit before income tax for the year was Frw 10.98 billion (2020: profit of Frw 7.83 billion). Net interest income increased from Frw 22.4 billion in 2020 to Frw 26.8 billion in 2021 in correlation to the increase in loans and advances to customers from Frw 205 billion to Frw 222 billion in 2021.

The Bank`s results for the year are as follows:

	2021 Frw'000	2020 Frw'000
Profit before income tax	10,984,403	7,838,348
Income tax expense	(1,814,664)	(2,698,567)
Net profit for the year	9,169,739	5,139,781

The detailed results of the Bank for the year are set out on page 75

The Bank's financial performance is a testament of our resilience and sustainable performance into the future, having recorded a net operating income pre-provision growth of 6% to Frw 33.44 billion. Our results reflect with the favourable business momentum in the country, following further easing of health and business restrictions and our commitment to being there for our customers and the community we serve.

The Bank has progressed on its strategic effort to create long-term value for stakeholders, through continued investments in Environmental, Social and Governance initiatives as a means to building resilience as well as to mitigate against emergent operational, cyber and credit risk.

Our efforts in supporting the growth of the MSME sector was recognized with the "Product Innovation of the Year" award in the gold category by the SME Finance Forum for delivering outstanding products and services to our SME clients and segment.

REPORT OF THE DIRECTORS (CONTINUED)

Dividends

The Directors have recommended payment of dividend with respect of the year ended 31 December 2021 of Frw 1,800,000 (2020: no dividend declared and paid).

Directors

The Directors who served during the year and up to the date of this report are set out on page 30. The Bank provides professional indemnity for all the Directors as set out on page 61.

Auditor

The auditor, KPMG Rwanda Limited, was appointed in 2020 in accordance with Regulation N°14/2017 of 23/11/2017 on accreditation requirements and other conditions for external auditors for financial institutions.

Relevant audit information

The directors in office at the date of this report confirm that:

(i) There is no relevant audit information of which the Bank's auditor is unaware; and

(ii) Each Director has taken all the steps that they ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors 23 March 2022.

BY ORDER OF THE BOARD

Secretary

30 March 2022

STATEMENT ON CORPORATE GOVERNANCE

This report describes how the Bank remains not only compliant with Corporate Governance regulations issued by the National Bank of Rwanda, the Capital Market Authority and Rwanda Stock Exchange regulations but also remains committed in adopting best practices and creating a culture of good practices which is in line with our Group wide commitment to ensure that the highest standards of Corporate Governance are implemented and upheld in all its entities. This in turn ensures that the Group maintains and promotes high standards of integrity, transparency and accountability across all levels, and in particular that at each level, each entity is well and honestly run, generating long term shareholders value.

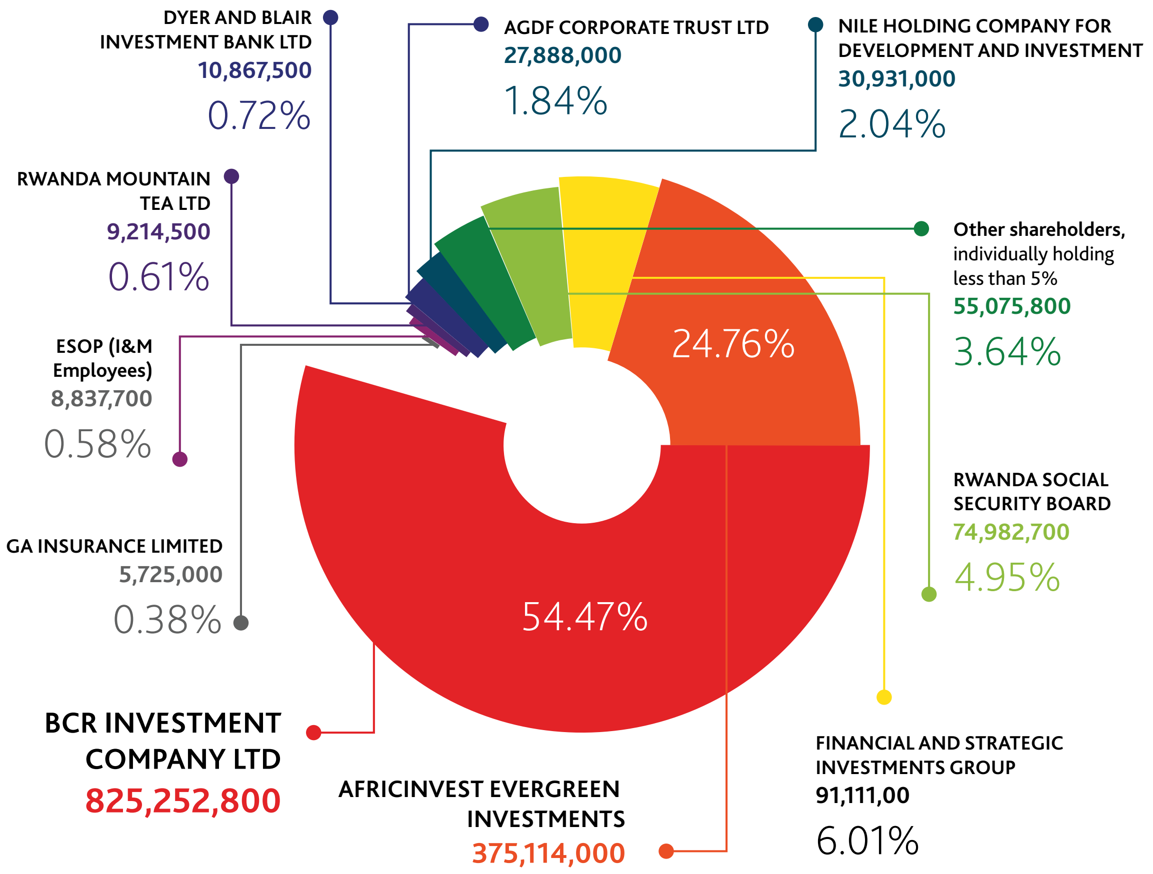
At our Bank, we have embraced the changes and believe that Governance is more than just complying with laws and regulations; it is also creating a culture of good practices. The Bank has already a well-defined and structured Corporate Governance framework to support the Board achieving our mission of being: Partners of growth for all our stakeholders which will be achieved through: "Meeting our Customers' expectations; Motivating & developing every Employee and Enhancing Shareholder value".

Our Shareholders, Board of Directors and Senior Management believe that Corporate Governance is a necessary condition for sustainable performance and will therefore undertake every effort to create awareness and ensure compliance with corporate governance policies and practices within our organization. In its quest to ensure that highest standards of Corporate Governance are complied with and upheld at all times, I&M Bank (Rwanda) Plc., through its Board of Directors, which is responsible for setting the standard of Corporate Governance and for updating these standards as appropriate is consistently reviewing corporate governance standards within the Bank.

OUR SHAREHOLDERS PROFILE

Following the approval by the shareholders at the Bank's Annual General Meeting held on 28th April 2021, the Capital Market Authority issued on 28th May 2021 the final approval of the bonus share issue in the ratio of 1: 4 (one new ordinary share for every four ordinary shares held). The number of issued and fully paid-up shares increased by 303 million shares at a par value of Frw 10.

I&M Bank (Rwanda) Plc shareholding composition as of 31st December 2021 is as below:



TOTAL 1,515,000,000 TOTAL SHAREHOLDING 100.00%

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

OUR LEGAL STATUS

I&M Bank (Rwanda) Plc is a public limited company that was incorporated in the Republic of Rwanda on 25th May 1963 under the Companies Act and is the oldest Bank in Rwanda. It was incorporated under the name of Banque Commerciale du Rwanda S.A. (BCR) as a Commercial Bank and is regulated by the National Bank of Rwanda (BNR). In March 2017, the Government of Rwanda, as part of its initiative of promoting investment, initiated an Offer for Sale for close to 20% stake in the Bank. Following the successful listing of I&M Bank (Rwanda) Plc's shares on the Main Investment Market Segment of the Rwanda Stock Exchange, the Bank changed its name to "I&M Bank (Rwanda) PLC.

The Bank, which is listed on the Rwanda Stock Exchange (RSE), is a subsidiary of I&M Group Plc ("the Group"), a leading regional financial services group in East Africa. The Group has other operations in Kenya, Tanzania, Uganda and Mauritius and is listed on the Nairobi Securities Exchange. I&M group has a long history in banking and has established a wide network of correspondent banks across the globe and enjoys a strong relationship with the leading international Development Financial Institutions.

SHARE INFORMATION

The issued and paid-up capital of I&M Bank (Rwanda) Plc consists of 1,515,000,000 ordinary shares. Currently, only ordinary shares are issued, each share in the capital of I&M Bank (Rwanda) Plc gives entitlement to cast one vote.

I&M Bank (Rwanda) Plc has an authorized share capital of Frw 25,000,000,000 which is the maximum amount of capital allowed to be issued under the terms of the Articles of Association.

CREDIT RATINGS

Global Credit Ratings affirmed long-term and short-term national scale ratings of A (RW) and A1 (RW) respectively to I&M Bank (Rwanda) Plc; on the back of strengthened capital position supported by the rights issue that raised Frw 8Bn in 2020 Financial Year, resilient asset quality amidst a challenging operating environment, sustained sound funding structure, and robust liquidity.

This reemphasizes the Bank's solid position on the market, including good revenue diversity and stability, an adequate level of capitalization, with a sound funding structure with good liquidity.

OUR BOARD

Every company should be headed by an effective Board that is collectively responsible for the long-term success of the company.

The Board's primary responsibility is to promote the long-term success of the company and deliver sustainable shareholder value. The Board has ultimate responsibility for the management, direction, governance and performance of the company, and leads and oversees the company's business. The Board plays a critical role in ensuring that the tone for the company's culture and values are set from the top. The Board is also responsible for ensuring appropriate resources are in place to achieve its strategy and deliver sustainable performance. Through authorities delegated to its Committees, the Board directs and reviews Bank's operations within an agreed framework of controls, allowing risk to be assessed and managed within agreed parameters. The Board is collectively accountable to the company's shareholders for the proper conduct and success of the business.

The Board of Directors refers to the governing body elected by the Shareholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Our Board of Directors comprises Directors who:

Are named as such in the Articles of Incorporation under article 74;

Are duly elected in subsequent meetings of the Shareholders and;

Are elected to fill vacancies in the Board of Directors.

Our Memorandum and Articles of Association provides under its article 74 that the number of directors shall not be less than five directors and not more than ten directors in number. Within this, the Board determines the appropriate number of its members to ensure that the number is commensurate with the size and complexity of the Bank's operations.

The Board has the power to appoint a director to fill a vacancy. Appointed directors must stand for election by the shareholders at the next Annual General Assembly following their appointments. It is in this regard that the Bank welcomed new Non-Executive Directors to the Board: Mr. Bonaventure Niyibizi (Board Chairman), and Mr. Allan Christopher Michael Low who were approved by our Shareholders on 28th April 2021 during the Annual General Meeting. In the course of the year, the Bank also welcomed Mr. Alan James Dodd on 8th September 2021. In that same year, Mr. Arun S. Mathur and Mr. Soundararajan Madabhushi retired from the Board with effect from 1st July 2021 and 7th September 2021 respectively.

As of 31st December 2021, the Board was constituted by nine Directors: one Executive Director, two Nominee Non-Executive Directors and six Independent Non-Executive Directors including the Board Chairman.

The current Board of Directors are detailed as follows:

No	Name	Nationality	Qualifications	Position held on the Board	Committee Assignment
1	Bonaventure Niyibizi	Rwandan	Economist	Independent Board Chair	Board Chairman, BRC, BCC, BALCO&BNRGC
2	Alice Nkulikiyinka	Rwandan	Economist	Independent NED	BNRGC Chair, BAC& BITCO
3	Alan James Dodd	English	Banker	Independent NED	BCC Chair, BAC& BRC
4	Nikhil Hira	Kenyan	Tax and Financial Advisor	Independent NED	BAC Chair, BCC&BALCO
5	Crystal Rugege	Rwandan	Technology Policy	Independent NED	BITCO Chair, BRC& BNRGC
6	Simon Morris	British	Banker	Independent NED	BRC Chair, BAC& BCC
7	Allan Christopher Michael Low	British	Banker	Nominee NED	BALCO Chair, BRC, BITCO& BNRGC
8	Julius Tichelaar	Dutch	Investment Banker	Nominee NED	BRC, BALCO BITCO& BNRGC
9	Robin Bairstow	South African	Banker	Managing Director	BRC, BCC, BALCO & BITCO

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

The Board Nominations Committee reviews regularly the Board composition. In reviewing the Board composition, this Committee considers the benefits of collective relevant working knowledge, experience or expertise; it ensures that its composition reflects an appropriate mix with regards to skill representation, Board experience, tenure, gender, age, and geographic experience. Other considerations are personal qualities, communication capabilities, ability and commitment to devote appropriate time to properly discharge the task, professional reputation, community standing and alignment of the quality of directors with the Bank's strategic directions.

The Directors collectively have vast experience stemming out of their varied backgrounds in different disciplines, which include Banking, Management, Accounting, Investment and hands-on experience in various industries.

The Board determines the process of appointing a director, after a recommendation by the Nominations Committee. The Board takes into consideration recommendations from shareholders, existing directors and any broad pool of qualified candidates for sourcing of possible candidates as directors; Directors must at all-time be and remain fit and proper to carry out their roles and in accordance with suitability criteria as per the Bank's code of Ethics for Directors and other regulations issued by regulators from time to time.

The initial appointment period is up to three years subject to annual re-election by shareholders, which may be extended by a further two additional periods of up to three years, subject to the director still meeting the criteria for directorship. As a rule, the Board's Non- Executive directors may serve for a maximum cumulative term of nine (9) years, making sure, however, that the shareholders' legal right to vote and be voted remains inviolable.

The Board Charter, which serves as a guide to the Board of Directors on how to discharge their functions, mainly states the roles, responsibilities and accountabilities of which the Board of Directors should consistently and properly perform; it touches on the Board structure and composition as well.

BOARD MEETINGS

The Board holds regular and special meetings in accordance with the Articles of Association. It has in place an annual calendar that sets out board activities annually.

The Board usually has a minimum of four (4) scheduled Board meetings per year requiring an attendance of two to three days. All directors are expected to attend each meeting, unless there are exceptional circumstances that prevent them from doing so.

The Board Charter defines, under the attendance section, the attendance requirements. The attendance and participation of members in committee meetings is considered in the assessment of continuing fitness and suitability of each director as a member of Board-level committees and the Board of directors.

Papers relevant to the agenda of each Board and Board committee are sent to the Board and committee members as appropriate ten (10) days in advance of the meeting as per the Memorandum and articles' requirements.

Like the rest of the world, the Board had to adapt its ways of working in 2021 due to the Covid-19 Pandemic. Meetings were held virtually. The Shareholders' Annual General Meeting was virtually held for the second time on 28th April 2021.

During the year ended 31st December 2021, the Board held four (4) board meetings. A number of directors attended for ad-hoc meetings, Budget discussions and Strategy Refresher meetings were also held in the course of the year

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Details of directors' attendance at board and Committees are detailed as follow:

	BOARD	AUDIT	RISK	CREDIT	ASSET & LIABILITIES	IT	Nomination, Remuneration and Governance
No. of Meetings	5	6	4	9	4	4	4
Bonaventure Niyibizi	5	-	4	5	4	3	4
Soundararajan Madabhushi[1]	4	5	3	7	3	-	-
Arun Mathur[2]	3	3	-	6	2	2	-
Crystal Rugege	5	-	3	3	-	4	3
Alan James dodd[3]	2	3	1	5	-	-	-
Allan Christopher Michael Low[4]	5	1	4	5	4	4	4
Julius Tichelaar	5	-	4	-	2	3	3
Simon Morris	5	6	4	4	3	-	3
Alice Nkulikiyinka	5	5	-	-	-	4	4
Nikhil Hira	5	6	-	7	4	-	1
Robin Bairstow	6	-	4	9	4	4	-

The attendance rate illustrates that the members of the Board are engaged with the Bank and are able to devote sufficient time and attention to oversee the Bank's affairs.

ROLE OF OUR BOARD COMMITTEES

The Board has in place Board committees to increase efficiency and facilitate deeper focus in specific areas. In accordance with article 22 of the BNR Regulation on Corporate Governance, the Bank standing committees of the Board are Audit (BAC), Risk (BRC), Credit (BCC), IT Committee (BITCO), Nomination& Remuneration (BNRGC) which currently includes the corporate governance as per I&M Group's best practices. In addition to these committees, the Board has resolved to maintain the Assets & Liabilities Committee (BALCO). The Committees meet as prescribed in their respective terms of reference and each committee reports directly to the Main Board.

The Board may from time to time, establish or maintain additional committees as deemed appropriate. The number and nature of Board-level committees would depend on the size of the Bank and the Board, the complexity of operations, as well as the Board's long-term strategies and risk tolerance. The Board Nomination, Remuneration and Governance Committee, taking into account the desires and qualifications of individual members recommends allocation of members to the committee which is to be ratified by the Board; In making such appointments, the Board considers the rotation of committee membership and chairs at appropriate intervals to avoid undue concentration of power and promote fresh perspective.

1 Mr. Soundararajan Madabhushi retired from the Board effective 7th September 2021.
2 Mr. Arun Mathur resigned from the Board effective 1st July 2021.
3 Mr. Alan James Dodd was appointed to the Board on 8th September 2021.
4 Christopher Low was appointed on 18th February 2021

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

The Board approves reviews and updates at least annually or whenever there are significant changes therein, the respective terms of reference of each committee that set out its mandate, scope and working procedures.

The Board ensures that each committee maintains appropriate records (e.g., minutes of meetings or summary of matters reviewed, and decisions taken) of their deliberations and decisions. Such records document the committee's fulfilment of its responsibilities and facilitate the assessment of the effective performance of its functions. The Board receives a verbal update on the key area of discussions at the Board meeting by the committee chair.

Each standing committee is composed of at least 3 members, a majority of independent directors and an independent chair.

AUDIT		
ROLE AND RESPONSIBILITY	**MEMBERSHIP**	**LAST UPDATE**
Assist the Board in fulfilling its responsibilities by reviewing the integrity of financial reporting and related announcements; the effectiveness of the internal control system of the Bank, its performance and the effectiveness of the internal and external audit processes; the findings of the internal and external audit and to recommend appropriate remedial action at least quarterly. For the year ended 31 December 2021, the BAC met six times. The Committee discussed the quarterly results, the interim accounts and the annual accounts. Key audit matters, as included in the auditors' reports and management letter were also a topic of discussion. In addition, the overall internal control environment was reviewed, the internal and external auditor reports were discussed. The BAC also approved the internal audit plan, budget and structure. The Terms of Reference were also amended to reflect the new regulations. Special attention to IFRS 9 implementation. The BAC chairman held regular meetings with external auditors.	1. Nikhil Hira (Chairperson- Independent NED) 2. Alan James Dodd (Independent NED) 3. Simon Morris (Independent NED) 4. Alice Nkulikiyinka Independent NED)	December 2021

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

RISK

ROLE AND RESPONSIBILITY	MEMBERSHIP	LAST UPDATE
The BRC considers and recommends to the Board the approval of the Bank's overall Risk Appetite, tolerance and strategy, review the Bank's risk profile on an ongoing basis. The Committee is responsible for ensuring adherence to the Bank's risk management policy and procedures as set out by the board Through the Risk Management Function, the Committee draw up a comprehensive Risk Management Framework/ Program for the Bank in line with the Guidelines issued from time to time by the National Bank of Rwanda (BNR). This year, the Committee met four times. In each meeting, the status of the Bank's metrics with regards risk rating on operational, technology, liquidity, credit, compliance, Forex exchange, interest rate, HR, Strategy and reputational were reviewed. Direction of each risk, as well as the mitigation plan, were discussed. Risk Heatmap, Disaster Recovery Drill and BCP test reports were always reviewed and discussed by the committee. Furthermore, the compliance status of the Bank was reviewed and discussed at each meeting with a review of the regulatory compliance assessment report which was tabled, recommendations of prudential meetings with the regulator were reviewed systematically, new regulations and laws were advised and compliance status noted. Transactions and PEP Loans were constantly reviewed.	1. Simon Morris- Chairperson (Independent NED) 2. Bonaventure Niyibizi- (Independent Board Chairman) 3. Alan James Dodd- (Independent NED) 4. Crystal Rugege- (Independent NED) 5. Allan Christopher Michael Low (NED) 6. Julius Tichelaar (NED) 7. Robin Bairstow (MD)	December 2021

CREDIT

ROLE AND RESPONSIBILITY	MEMBERSHIP	LAST UPDATE
The BCC assists the Board in fulfilling its primary responsibility to ensure that the quality of the Bank's credit-related asset book remains within acceptable parameters consistent with the Bank's risk appetite as well as regulatory requirements and prudential risk management practices. Further, the BCC ensures that the Bank has in place a credit policy that has a balanced approach to risk versus rewards and is effective, efficient, meets best practice, consistent with both BNR risk management guidelines and the Bank's risk management framework. The Committee reviews credit policies and related policies, sanction credit proposals, review of the delegated lending authority, on an ongoing basis review the credit portfolio. The BCC met nine times to discuss various topics including credit portfolio, various credit applications, and main grading changes, NPLs per sector, provisions, large exposure and recovery update.	1. Alan James Dodd- Chairperson (Independent NED) 2. Bonaventure Niyibizi (Independent Board Chairman) 3. Nikhil Hira (Independent NED) 4. Simon Morris (Independent NED) 5. Robin Bairstow- (MD)	December 2021

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

ASSET & LIABILITIES

ROLE AND RESPONSIBILITY	MEMBERSHIP	LAST UPDATE
BALCO is ultimately responsible for effective asset/liability management. Its first responsibility is to assist the Board by establishing and reviewing the asset/ liability management policy and related procedures; it ensures that the Bank's funds are managed in accordance with this policy, reviews the treasury dealing strategy, discuss and review the capital position and ensure that capital level is maintained in accordance with regulatory requirements and internal limit. The Committee also reviews the budget before it is approved by the Board. This committee is not a compulsory committee as per the BNR regulation. During the year under review, the Committee met four times. Members discussed various items including liquidity projection, treasury update, members reviewed the CAMEL pack, various counterparty limits.	1. Allan Christopher Michael Low (Chairperson – NED) 2. Bonaventure Niyibizi (Independent Board Chairman) 3. Nikhil Hira (Independent NED) 4. Julius Tichelaar (NED) 5. Robin Bairstow (MD)	December 2021

IT

ROLE AND RESPONSIBILITY	MEMBERSHIP	LAST UPDATE
The BITCO assists the Board in fulfilling its primary responsibilities by reviewing recommendations with respect to IT needs, projects, plans and policies. Review the design and implementation of ICT strategies, ICT Investment Oversight (Value delivery), ICT Risks, Security and Cyber Security; it ensures that the Bank's Disaster Recovery Program is drawn up and/or formulated, aligned to the Business Continuity Plans and regularly tested. The Committee met four times and discussed various items including cyber security actions, in depth discussion on the infrastructure upgrade's hardware, IT strategy, Disaster Recovery plan.	1. Crystal Rugege - Chairperson (Independent NED) 2. Alice Nkulikiyinka (Independent NED) 3. Allan Christopher Michael Low (NED) 4. Julius Tichelaar (NED) 5. Robin Bairstow–MD	December 2021

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

BNRGC		
ROLE AND RESPONSIBILITY	**MEMBERSHIP**	**LAST UPDATE**
The BNRGC assists the Board in ensuring that a formal, rigorous and transparent process is in place for the appointment of directors to the Board. The purpose of this Committee is to review the Board Performance Evaluation report, succession plan and nominate qualified board candidates for recommendation to the AGM, in a fair and objective manner, subject to statutory and shareholder approvals. The Committee also advise the Main Board on the Board Performance Evaluation Report for year 2021 and recommended the appointment of new directors. Whereas, BNRGC assists the Board to retain authority over major decisions concerning the overall administration of the Bank, procurement of goods and services (excluding ICT related) and Human Resources function, including remuneration and disciplinary matters. The Committee reviews and consider matters related to the appointment of contractors, suppliers for goods and services, consultants, etc… approves authorized signatories of the Bank and recommends to the Board granting of powers of attorney to Bank officials. The committee met four times; A wide range of other topics were discussed, such as resourcing matters, training and development, employee relations and welfare. The culture transformation Program and Compensation & Benefits Group alignment were areas of focus. The committee also ratified some proposals from the tender committee.	1. Alice Nkulikiyinka - Chairperson (Independent NED) 2. Bonaventure Niyibizi – (Independent Board Chairman) 3. Crystal Rugege- (Independent NED) 4. Allan Christopher Michael Low (NED) 5. Julius Tichelaar (NED)	December 2021

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

OUR REMUNERATION POLICY

The Board, through the Nomination, Remuneration and Governance Committee implements and approves the remuneration policy for Board members which is aligned with the long-term interests of the Bank including the overall business and risk strategy. Directors who are also officers of the Bank are not compensated in their capacity of Directors. The level of remuneration reflects the time commitment and responsibilities of the role.

Fixed Annual Fees - Each director is eligible to receive a fixed annual fee as approved by the Board and ratified at the Annual General Assembly for service on the Board. These net annual fees are paid in quarterly instalments. The Chairperson receives a higher compensation commensurate with higher responsibilities as Board Chairperson.

Any director, who serves as a member of the Board for less than a full quarterly period receives a prorated payment for retainership fee for such quarterly period.

Directors receive a sitting allowance for attending each meeting of the Committee/Board as approved by the Board from time to time.

The fees paid to the Non-Executive Directors shall be reviewed periodically by the Nomination, Remuneration and Governance Committee at least every two years and, under the terms of this Policy, may be adjusted in line with changes in compensation benchmarks or industry standards.

As per article 79 al 2 of the Articles of Association, the Bank has in place a Directors' & Officers' Liabilities Insurance in favour of all nominated directors for an amount of not less than US$ five hundred thousand million (US$ 500,000) which provides a cover for the Directors and Officers against litigation by Third Parties. As per Article 174 (indemnity and insurance for Directors), directors are to be indemnified to the extent permitted by law or Articles of Association. Directors' appointment letters confirm the extent of the indemnity provided to them.

Names	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Total
	$	$	$	$	$
Bonaventure Niyibizi	13,200	10,900	10,100	11,150	45,350
Soundararajan Madabhushi	10,550	8,300	9,350	8,650	36,850
Arun S. Mathur	10,450	8,400	-	-	18,850
Simon Morris	11,400	8,100	7,850	10,550	37,900
Crystal Rugege	8,000	7,000	6,200	9,400	30,600
Nikhil Hira	10,300	7,500	7,350	8,050	33,200
Alice Nkulikiyinka	7,150	7,300	7,050	8,100	29,600
Julius Tichelaar	7,500	7,500	6,700	7,500	29,200
Chris Low	11,050	8,600	8,650	8,600	36,900
Alan Dodd	-	-	6,450	8,150	14,600
TOTAL FEES	**89,600**	**73,600**	**69,700**	**80,150**	**313,050**

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

INDUCTION AND CONTINUING EDUCATION

On appointment to the Board and to Board Committees, all directors receive a comprehensive induction pack tailored to their individual requirements in order to be an effective member of the Board and help lead the Bank in the right direction. The induction, which is designed and arranged by the Company Secretary in consultation with the Chairperson includes meetings with directors, senior management to assist directors in building a detailed understanding of how the Bank works and the key issues it faces. Where appropriate, additional business briefing sessions and updates on particular issues identified in consultation with the Chairperson and non-executive directors are arranged by the Company secretary. The business awareness and development needs of each non-executive director will be reviewed annually as part of the performance evaluation process.

The Board as a group and as individual directors should have sufficient knowledge relevant to the Bank's activities to provide effective governance and oversight. They are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the Bank.

In collaboration with I&M Group, the BNRGC design a board training program, based on training needs identified by each board member at the time of annual evaluation subject to the approval of the Nominations Committee and confirmation by the Board. This training program includes courses on corporate governance matters relevant to the Bank, including audit, internal controls, risk management, sustainability and strategy. Senior Management also provides training support to the Board through regular briefings on new regulatory issuances and updates on status of compliance program and other business initiatives.

OUR BOARD EFFECTIVENESS REVIEW – BOARD EVALUATION APPRAISAL

Our Board recognizes that reviewing its performance is a key driver of good governance. The Board ensures that all the Directors appreciate the importance of the review process which includes enabling the Board to reinforce a culture of accountability, help Directors reflect on the contribution they make to the Board in a given year and their impact on governance practice in general. Individual reviews encourage Directors to have an open discussion about areas where they require support to enhance their competencies, especially in specialized areas.

In this regards a performance evaluation policy has been approved at the December board meetings which purpose is to give all Board members an opportunity to evaluate and discuss the Board's performance with candour and from multiple perspectives.

The process has been initiated this year at the December Board meetings where questionnaires were distributed to each Board Member. Directors have completed the forms and returned them to the company secretary during the month of February. Results were tabulated and analysed and presented in a summary report to include composite scoring at the February board meetings.

The Board thought BNRGC has discussed areas that are working well, and those that need attention. The evaluation form consists of 2 parts: An Overall Board Evaluation and a Chairman Board Evaluation.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

DISCLOSURE AND TRANSPARENCY

Transparency is consistent with sound and effective corporate governance. The objective of transparency is to provide to Shareholders, depositors and other relevant stakeholders with relevant information necessary to enable them to assess the effectiveness of the Board and senior management.

The Bank believes in maintaining full and open communication with its shareholders and observing the highest standards in corporate governance and Shareholder communications; to this effect, the Board commits at all times to fully disclose material information dealings, it shall cause the filing of all required information for the interest of the Shareholders. Disclosure is to be accurate and clear in view of Shareholders and other stakeholders consulting the information easily.

SHAREHOLDERS RELATIONS

The Bank's aim is to ensure that all Shareholders, both individual and institutional, have simultaneous access to all information. Ordinarily, market analysts, the stock exchange and industry bodies will also have access to information at the same time as the shareholders. The Bank shall at all times guarantee equal treatment of all shareholders that are in the same position with regard to information, participation and voting at the Annual General Meeting of Shareholders.

The Bank's Investor Relations Office is designed to ensure constant engagement with its shareholders. The Investor Relations Office provides an avenue to receive feedback, complaints and queries from shareholders it also assures their active participation with regard to activities and policies of the Bank. Further, it provides clear, accurate and timely financial information that is in compliance with applicable rules and regulations. The Investor Relations Officer is present at every shareholders' meeting and Investor Briefings.

In addition to the Annual General Meeting, the Bank has communicated with its shareholders, the investment community and the general public through quarterly Investor Briefing that includes extensive financial statements with relevant explanatory remarks of the previous quarter, meetings with analysts, investors, media briefing and Investor conference calls.

This is in accordance with the applicable regulatory requirements intended to ensure that all shareholders and other market participants have equal and simultaneous access to information that could potentially influence the price of the bank' shares price. Information provided during such occasions or in any contacts with the press is limited to what is already publicly available.

The communications are also conducted directly with shareholders via email to more comprehensive discussions with analysts or institutional investors that take place via telephone or face to face meetings. Our Investor Relations Officer is the main point of contact for these communications.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

GENERAL MEETINGS

Bank's Annual General Meetings (AGM) generally discuss the course of business in the preceding financial year with a focus on approval of the preceding financial statement, approval of the proposed dividend, appointment of external auditor, election and re-election of directors.

The AGM is convened in accordance with section 51 of the Articles, to enable shareholders exercise their rights. In the holding of the meeting, the Bank prepares and sends the notice at least fifteen days prior to the date of the meeting; General Meetings are convened by placing an announcement in one of the newspapers with the largest circulation in Rwanda, on the company's website and on the website of the Rwanda Stock Exchange at least 21 days in advance of the meeting date. Board members, in particular, the Chairpersons of Board committees or their delegates, and appropriate management executives attend general meetings to answer shareholders' questions.

The Board also ensures that the External Auditor attends the AGM and is available to answer shareholders' questions about the financial position of the Bank. In addition, the External Auditor conducts the audit and prepares the auditor's report.

The external auditor attended the meetings of the Audit Committee and in addition to the audit committee meetings, the Board Audit Committee chairman held separate session meetings with the independent external auditors and the Chief Finance Officer (CFO).

STAKEHOLDERS RELATIONS

At our Bank, we have a wide range of stakeholders, who are important to our business. This is articulated in our Vision To Become a Company where the Best People want to Work; the First Choice where Customers want to do Business and where Shareholders are happy with their investment; Achieving our vision requires us to build trusted and mutually beneficial relationship with our stakeholders, which long term supports our long term success and sustainability. Our Mission Statement also resonated with this vision as we want to be recognized as partners of growth for all our stakeholders through Meeting our Customers' expectations, motivating and developing every employee and enhancing shareholder value; Our Bank's methods of engagement include various channels and means of communications reliant on each specific stakeholder group.

Stakeholder engagement is decentralized within the Bank so there is not a single team that manages all relationships and queries or concerns from stakeholders. All I&M Bank employees are accountable for managing relationships and meeting the expectations of internal and external stakeholders within their areas of responsibility. Should a stakeholder not be satisfied with the service or assistance that they receive from their I&M Bank Rwanda point of contact. There are a number of opportunities that allow for anonymity (if desired) as well as independence to ensure a voice for concerned stakeholders. These include our client call centre that is the first point of call for all clients' requests and the section "Contact us" on the Bank's corporate website.

We have in place a formal complaints handling procedure in place whose purpose is to address irregularities of a general, operational and financial nature.

RISK MANAGEMENT

The Bank's Enterprise Risk Management Framework identifies the principal risks for which the Bank is exposed to, outlines the assessment and measurement process, defines the mitigation strategies, institutes a consolidated risk appetite framework both qualitatively and quantitatively, emplace risk appetite and philosophy statements, and set up an organization structure to manage these risks. The implementation of the framework has brought in a disciplined and focused approach to managing risks across the Bank.

Embedding Bank-wide Enterprise Risk Management Culture

The Bank's risk culture is driven by the tone and statements from the Board of Directors on zero tolerance for non-compliance with internal policies and regulatory guidelines. This is in addition to Senior Management Oversight of the Bank's risks on a day to day basis led by the Managing Director.

As part of the initiatives to embed an Enterprise Risk Management Culture across the Bank, annual risk refreshers are done to educate and embed risk culture in our day to day decision, this in addition to Bank-wide trainings conducted on Enterprise Risk Management, Information and Cyber Security, Anti-Money Laundering and Terrorists Financing. We have made good progress on embedding this risk culture and increased focus on frontline ownership of risk as we entrenched the three lines of defence for the implementation of our Enterprise Risk Management Framework. This risk culture has facilitated more dynamic risk identification and enables us to establish a clear linkage between strategic decision making and risk management, as well as identifying and managing correlations across risk types. In order to promote the Risk Management Culture, there are annual risk mandatory courses on Operational risk, Information and Cyber Security risk, Anti Money Laundering (AML) and Know Your Customer (KYC) to be undertaken by all Staff though an online Learning Management System.

RISK MANAGEMENT APPROACH

The Board of Directors has adopted a Risk Management approach/program of holistic and integrated risk management to identification, measurement, monitoring and control and reporting of all risks. The Bank has adopted a Risk Maturity Model (RMM) which is a self-assessment tool that supports the Bank to understand its current level of Enterprise risk management capability, identify realistic targets for improvement and develop action plans for increasing its risk capability

This is characterized by a strong Board and Senior Management risk oversight across all functions within the Bank. Such an approach supports and facilitates the decision making process which not only ensures that the risk reward trade-off is optimized but also that risks assumed are within the overall Risk Appetite and Risk Tolerance levels as laid down by the Board of Directors in the various Policy documents.

RISK MANAGEMENT GOVERNANCE

The Board of Directors has the ultimate responsibility for the risk assumed by the Bank. As a result, it shall approve all of the Bank's business strategies and major policies, including those regarding risk management and risk assumptions.

The Board Risk Management Committee has the responsibility to ensure quality, integrity and reliability of the Banking institution's risk management. The Committee assists the Board of Directors in the discharge of its duties relating to the corporate accountability and associated risks in terms of management, assurance and reporting. The committee reviews and assesses the integrity of the risk control systems and ensure that the risk policies and strategies are effectively managed. The committee sets out the nature, role, responsibility and authority of the risk management function and outlines the scope of risk management work.

The Executive Risk Committee assists the Board of Directors in carrying out its role and is responsible for the Risk Management Program. It is responsible for the implementation of the Risk Management program, policies, appetite and tolerance as approved by the Board of Directors. It assists in institutionalizing the Risk Culture in the Bank.

The Risk Management function ensures that management has appropriate tools in place for identifying, measuring, monitoring and controlling risk; it keeps all stakeholders up to date on risk management practices; it coordinates the Bank risk management activities and practices; it reviews and assess the integrity of the risk control systems and ensures that the risk policies and strategies are effectively managed.

The Bank management and control model is based on three lines of defense. The first line is constituted by the business units and the support areas which as part of their activity give rise to the Bank's risk exposure. These units are responsible for managing, monitoring and reporting adequately the risk generated, which must be adjusted to the risk appetite and the various limits of risk management.

The Risk and Compliance functions serve as the Bank's second line of defense. It has the responsibility for recommending and monitoring the Bank's risk appetite and policies and for following up and reporting on risk issues across all risk types. They oversee, review the risk activities of the first line of defense and guide/support to discharge their functions effectively while still providing second line risk management activity. They facilitate and monitor the implementation of effective risk management practices and the compliance function monitors various specific risks such as non-compliance with applicable laws and regulations. They assist in identifying known and emerging risk issues, providing risk management framework, assisting management in developing processes and controls to manage risks, monitoring the adequacy and effectiveness of internal control, accuracy and completeness of reporting and timely remediation of deficiencies.

Internal audit is the third line of defense and as the last layer of control in the Bank, it regularly assesses the policies, methods and procedures to ensure they are adequate and are being implemented effectively.

CREDIT RISK MANAGEMENT

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from loans and advances to customers, financial institutions/banks and investment securities.

The Relationship Management Team and Business Heads are the risk owners and the first line of defense since they are the originator and underwriter of credit applications and expected to identify, assess and mitigate risks inherent in each application based on the Bank's credit risk strategy, appetite and policy. The Credit team provides a second level independent review and is responsible for identifying, controlling, monitoring and reporting credit risk related issues. The team also serves as the secretariat for the Credit Risk Management Committee. Credit risk is the most critical risk for the Bank as credit exposures, arising from lending activities account for the major portion of the Bank's assets and source of its revenue. Thus, the Bank ensures that credit risk related exposures are properly monitored, managed and controlled.

The Credit team is responsible for managing the credit exposures, which arise as a result of the lending and investment activities as well as other unfunded credit exposures that have default probabilities, such as contingent liabilities.

MARKET RISK MANAGEMENT

Market risk is the risk that the value of on and off-balance sheet positions of the Bank will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates, equity prices, credit spreads and/or commodity prices resulting in a loss to earnings and capital.

The Board of Directors through the Board Asset and Liability Committee and Board Risk Committee has the oversight function for Bank's market risk exposures while the Assets and Liability Management Committee (ALCO) manages the Bank's market risks on a daily basis. The Bank's ALCO is responsible for managing the Bank's market risk control framework and also setting limits within the context of the Bank's market risk appetite on a daily basis.

The ALCO Committee meets monthly to review the Bank's asset and liabilities position, project exogenous factors, develop an assets & liability strategy and follow up with the implementation of the strategy.

The objective of the Bank's market risk is to focus on controlling and managing risk exposures while optimizing the return on risk and still maintain an industry profile as one of the foremost providers of financial products and services.

The most significant Market risks the Bank faces are: interest rate risk both on the trading and banking book, foreign exchange, and investment risks.

Interest rate risk is the current or prospective risk to earnings and capital of the Bank arising from adverse movements in interest rates both in the trading and banking book.

Foreign Exchange Risk: is the current or prospective risk to earnings and capital of the Bank arising from adverse movements in currency exchange rates. The Bank is exposed to foreign exchange risk because it trades in various currencies on behalf of our clients. This risk is managed using net- open foreign exchange position, value at risk and stress testing.

Price Risk: is the risk that the Bank may experience loss in its investment portfolio of government securities due to unfavourable movements in market prices. We manage the price risk in the investment portfolio using modified duration, mark to market, basis point movement and stress testing.

OPERATIONAL RISK MANAGEMENT

Operational Risk is the direct or indirect risk of loss resulting from inadequate and/or failed internal processes, people, and systems or from external events. In our case, operational risks arise from the broad scope of activities carried out across the Bank.

The first line of defense has the responsibility to conduct inherent risk assessment of their third party services, outsourcing, project management activities, processes, products, people and system and proffer adequate controls to mitigate the identified risks while the Operational Risk Management team provides independent review of such assessment to ensure it is adequate enough to mitigate the identified risks, monitor emerging risks implications on the Bank and response to major disruptions and external threats.

Risk Tolerance: is the amount of uncertainty the Bank is prepared to accept in total or more narrowly in pursuance of the Bank's strategy objective.

The Board has articulated the broad operational risk appetite through a quantitative statement in line with the Bank's overall risk management objectives. The Board approved the operational loss ratio risk tolerance of 0.375% of Profit Before Tax.

The following practices, tools and methodologies have been deployed in the Bank for the purpose of Operational Risk identification and management:

Risk Event and Loss Incident Reporting – Loss incidents are reported to Operational Risk. All staff are encouraged to report operational risk events as they occur in their respective business spaces whether these risks crystallize into actual losses or not.

Risk Assessments of the Bank's new and existing products, services, branches and vendors/ contractors are also carried out. This process tests the quality of controls the Bank has in place to mitigate likely identified risks.

Business Continuity Management (BCM) – To ensure the resilience of our business arising from any disruptive eventuality, the Bank has in place a Business Continuity Plan (BCP) to be able to promptly resume business operations with minimal financial losses, reputational damage and disruption of service to customers, vendors and regulators.

Various testing and exercising programs are conducted Bank-wide to ensure that recovery coordinators are aware of their roles and responsibilities.

LIQUIDITY RISK MANAGEMENT

Liquidity Risk is the risk that the Bank's earnings or capital arising from its inability to meet its obligations as they fall due, without incurring significant costs or losses. The oversight for liquidity risk management resides with the Board of Directors through Board Asset and Liability Committee and the Board Risk

Committee. The Bank's liquidity risk management process is primarily the responsibility of the Asset and Liability Management Committee (ALCO). The Treasurer is responsible for daily management of liquidity in liaison with ALCO. The Treasury and Finance functions provide independent oversight of the first line risk management activities relating to liquidity risk while the Market Risk Function is the second line control function that performs independent monitoring and oversight of the market risk management practices of the first line of defence.

The Bank manages its liquidity risk using metrics and measurement tools such as Liquidity Ratio, Loan to Deposit Ratio, Liquidity Maturity Mismatch, Liquidity Coverage Ratio, Net Stable Funding Ratio and Assets & Liability Committee (ALCO) limits.

STRATEGIC RISK MANAGEMENT

Strategic risk is the current and prospective impact on earnings or capital of the Bank arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes.

Strategic Risk is measured using quantitative tools such as Corporate Balance Score Card, Budget, Key

Performance Indicators (Return on Equity, PBT, and Cross Selling Ratios) during the monthly Executive

Committee, ALCO, bi-monthly Business Strategy Meeting and quarterly reporting to the Board of Directors.

INFORMATION TECHNOLOGY RISK

Technology is one of the key enablers in our Strategy and to this extent, will continue to play a critical role in the Bank's operations and in the fulfilment of its strategic objectives. Given this, information technology is important to the overall performance and success of the Bank. The IT department, being a risk owner, has in place a framework to identify, monitor, control and report on IT related risks. The Bank's IT governance framework (Management IT Steering Committee) aligns its IT strategy with its overall business objective.

MANAGEMENT OF CYBER RISK

As part of the process to combat the increasing Cyber Crime, the Bank developed a Cyber Security Policy in line with BNR guidelines and global best practice approved by the Board Risk Committee. The Bank organizes series of training and communications on Cyber Risk for both staff and Management to sensitize all about Cyber Criminal activities and how to manage these.

The Bank also adopts the following mitigation strategies to manage information security risks:

- Network Controls – The Bank has put in place different controls on the network to facilitate access to network resources on need to have basis. Different network segmentations exist on the network to protect specific areas from access to unauthorized personnel. Also, a network access control security solution has been implemented to guard against enterprise network access by rogue systems.
- Application Security Controls (e.g. Secure Coding controls) – The Bank ensures that new and modified applications are well tested before deployment to production environment. Such tests include functional and security tests. Also, applications running on endpoint systems are reviewed to ensure that unauthorized applications are not freely used within the enterprise environment. In addition to this, various security solutions have been deployed to provide enhanced security for web facing applications in the Bank.
- Patch management – A benchmark threshold of permissible patch compliance status was instituted by the Management. The compliance status is obtained on a regular basis for review and informed decision.
- Continuous Monitoring – The IS Operations team carries out continuous monitoring of user activities as well as external events to ensure risk events are detected and addressed before materialization.

COMPLIANCE RISK MANAGEMENT

The Bank organizes its compliance function and sets priorities for the management of its compliance risk in a way that is consistent with its own risk management strategy and structures. The compliance function has redefined its approach from a tick check box into an advisory role with intense focus on regulatory intelligence gathering and closer cooperation with business units within the Bank, and acting as a contact point within the Bank for compliance queries from staff members and external regulators.

RISK APPETITE

The Bank's appetite for Compliance Risk is zero tolerance for payment of fines and other penalties associated with regulatory infractions and non-compliance with laws, standards and rules.

AML PROGRAMME

I&M Bank (Rwanda) Plc. has a Board approved AML/KYC programme. This is contained in the Bank's Anti-Money Laundering Policy and Compliance Policy which are reviewed and updated at least on an annual basis. Our AML/KYC Policy contains Board approved guidelines on Politically Exposed Persons (PEP) Policy, Risk Based AML/KYC, Correspondence Banking, etc.

I&M Bank (Rwanda) Plc. has an AML/KYC system that tracks the watch lists and sanctions lists under the UN sanctions in addition to monitoring all transactions.

COMPLIANCE RISK GOVERNANCE

The oversight responsibility on compliance risk resides with the Bank's Board of Directors through Board Risk Committee. Compliance Risk Management involves close monitoring of KYC compliance by the Bank, follow up of BNR recommendations, and observance of the Bank's zero-tolerance culture for regulatory breaches. It also entails an oversight role for monitoring adherence to regulatory guidelines and global best practices on an on-going basis.

REPUTATIONAL RISK MANAGEMENT

Reputational risk is the potential that negative publicity regarding a Bank's brand, business practices, whether true or not, can have resulting in a decline in the customer base, costly litigation, or revenue reductions.

Another form of risk leading to potential reputational risk is the Social Media Risk which is the risk to the Bank's earnings or capital arising from negative publicity about the Bank on social media. Social Media in the Bank is defined as forms of electronic communication (as Web sites for social networking and microblogging) through which users (both customers and non-customers) create online communities to share information, ideas, personal messages, and other content.

Risk arises when the Bank's reputation is exposed from negative publicity from one or more reputational/ social media events regarding the organization's business practices, services, staff conduct or financial condition. It measures the change in perception of the Bank by its stakeholders. It is linked with customers' expectations regarding the Bank's ability to conduct business securely and responsibly.

All staff are brand ambassadors of the Bank and are expected to conduct their services to the client in a professional and dignified way while Marketing Communications department is the risk owner and saddled with managing the Bank's brand and visibility. The department is mandated to protect the Bank from potential threats to its reputation. The team continuously uses proactive means in minimizing the effects of reputational events, thereby averting the likelihood of major reputational crises with the view of ultimately ensuring the survival of the organization.

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT

Environmental and Social Management risk is the risk to the earnings and capital of the Bank due to potential negative consequences suffered as a result of it financing businesses that impact negatively (or perceived impacts) on the natural environment (i.e. air, water, soil) or communities of people (e.g. employees, customers, local residents).

As a Bank, we are committed to sustainable banking and sustainable finance in our business relationships and as a good corporate citizen to protect and preserve the environment under which we operate.

The Bank's Environmental and Social Risk Appetite is not to finance projects mentioned in the Environmental and Social Management Exclusion List.

BASEL IMPLEMENTATION

As part of the Bank's ERM Implementation Road Map and migration to the Global best practice in Risk Management, we commenced implementation of Basel II & III in the following risk areas:

- Liquidity Risk – adoption and implementation of Basel III metrics on liquidity Risk- Liquidity Coverage Ratio and Net Stable Fund Ratio as a regulatory requirement.
- Putting in place the Internal Capital Adequacy Assessment Plan and the Internal Liquidity Adequacy Assessment Plan.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation of financial statements that give a true and fair view of I&M Bank (Rwanda) Plc, as set out on pages 75 to 171 which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by Law No. 007/2021 of 05/02/2021 Governing Companies and Regulation No. 28/2019 of 09/09/2019 relating to publication of financial statements and other disclosures by banks.

The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the Bank ability to continue as a going concern and have no reason to believe the Bank will not be a going concern for at least the next twelve months from the date of this statement.

The independent auditor is responsible for reporting on whether, based on their audit, the annual financial statements give a true and fair view in accordance with the International Financial Reporting Standards and the Law No. 007/2021 of 05/02/2021 Governing Companies, and Regulation No. 28/2019 of 09/09/2019 on publication of financial statements and other disclosures by banks.

Approval of the financial statements

The financial statements of I&M Bank (Rwanda) Plc were approved and authorised for issue by the Board of Directors on 23 March 2022.

Managing Director

Nikhil Hira

Chairperson of the Board Audit Committee

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of I&M Bank (Rwanda) Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of I&M Bank (Rwanda) Plc ("the Bank"), set out on pages 75 to 171, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of I&M Bank (Rwanda) Plc as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and in the manner required by Law No. 007/2021 of 05/02/2021 Governing Companies and Regulation No. 28/2019 of 09/09/2019 relating to publication of financial statements and other disclosures by banks.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Impairment loss allowance on loans and advances to customers	
Refer to notes 4, 5.13,6 21, and 38.1 to the financial statements	
Measurement of the impairment loss allowance based on expected credit losses ("ECL") on loans and advances involves significant judgement and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Bank's determination of expected credit losses on loans and advances are: — Economic scenarios – IFRS 9 requires the Bank to measure ECLs on a forward- looking basis reflecting a range of future economic conditions. Significant management judgment is applied to determining the economic scenarios used and the probability weightings applied to them.	**Our audit procedures in this area included:** — Obtaining an understanding of the credit management processes and the key systems, applications and controls used in the determination of ECL and evaluating the operating effectiveness of the key controls over the staging criteria, updates to the data in the model, review of the model output, and changes to loss given default, updates to the forward-looking information, and collateral data. — Using our data and analytics specialists to independently assess probability of default modelling based on historical days past due reports.

KPMG

INDEPENDENT AUDITOR'S REPORT

To the members of I&M Bank (Rwanda) Plc

— Significant increase in credit risk ("SICR")

— for the retail and corporate portfolios, the criteria selected to identify a significant increase in credit risk is a key area of judgement within the Bank's ECL calculation as these criteria determine whether a 12 month or lifetime allowance is recorded.

— The Bank assesses SICR by incorporating all relevant, reasonable and supportable information, including forward-looking information. These include qualitative information, non-statistical quantitative information and information from credit rating processes. COVID-19 restructures are factored into the model to cater for repayment deferrals and sector/subsector risks. The setting of precise trigger points to move a financial asset from 'Stage 1' to 'Stage 2' or moving from Stage 2' to 'Stage 3' and vice versa respectively requires judgement which may have a material impact upon the size of the ECL allowance;

— Model estimations – inherently judgemental modelling is used to estimate ECL which involves determining the probability of default ("PD"), loss given default ("LGD"), and exposures at default ("EAD"). The PD models used in the retail and corporate portfolios are the key drivers of the Bank's ECL results and are therefore the most significant judgemental aspect of the Bank's ECL modelling approach; and

— Qualitative adjustments or overlays – adjustments to the model driven ECL results are raised by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts especially in relation to the retail and corporate portfolios.

We determined the impairment loss allowance on loans and advances to customers to be a key audit matter due to the high degree of estimation uncertainty and significant judgement applied by management in the determination of the ECL.

— We assessed the reasonableness of loss given default and exposure at default assumptions by comparing to recent experience of the bank and local economic conditions.

— Involving our own financial risk management specialists to assess the appropriateness of the Bank's methodology for determining the economic scenarios and other management overlays by assessing key economic variables used as well as the overall reasonableness of the economic forecasts by comparing the Bank's forecasts to the historical bank and market growth as well as externally available information.

Challenging the accuracy of key inputs and assumptions into the expected credit loss models by:

— On a sample basis, testing of key data inputs and assumptions applied in determination of ECL, assessing the accuracy of economic forecasts and challenging assumptions applied by involving our specialists in the reperformance of the economic forecasts and PDs.

— Evaluating the appropriateness of the Bank's SICR determination by assessing the qualitative and quantitative factors used by management in their evaluation of the classification into stages 1, 2 and 3; and

— For a sample of qualitative adjustments, considering the size and complexity of management overlays, we assessed the reasonableness of the adjustments by challenging key assumptions, inspecting the calculation methodology and agreeing back to source data.

— Evaluating the adequacy of the financial statement disclosures in accordance with the requirements of IFRS 9, including disclosures of key assumptions and judgements used in determination of ECL.

Other information

The directors are responsible for the other information. The other information comprises the information included in the I&M Bank (Rwanda) Plc annual report and financial statements 31 December 2021 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

KPMG

INDEPENDENT AUDITOR'S REPORT

To the members of I&M Bank (Rwanda) Plc

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by Law No. 007/2021 of 05/02/2021 Governing Companies and Regulation No. 28/2019 of 09/09/2019 relating to publication of financial statements and other disclosures by banks, and for such internal control as directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

— Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

KPMG

INDEPENDENT AUDITOR'S REPORT

To the members of I&M Bank (Rwanda) Plc

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless the law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by the Law No. 007/2021 of 05/02/2021 Governing Companies and Regulation No. 28/2019 of 09/09/2019 relating to publication of financial statements and other disclosures by banks, we report to you based on our audit, that:

— We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit.

— Proper accounting records have been kept by the company, so far as appears from our examination.

— We have no relationship, interest, or debt with the I&M Bank (Rwanda) Plc. As indicated in our report on the financial statements, we comply with ethical requirements. These are the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) which includes comprehensive independence and other requirements.

— We have reported internal control matters together with our recommendations to management in a separate management letter.

— According to the best of the information and the explanations given to us as the auditor, as shown by the accounting and other documents of the company, the annual accounts comply with Article 123 and Article 125 of Law No. 007/2021 of 05/02/2021 Governing Companies.

The engagement partner on the audit resulting in this independent auditor's report is CPA Wilson Kaindi [PC/CPA/0642/0123].

KPMG Rwanda Limited

Certified Public Accountants

P. O. Box 6755

Kigali, Rwanda

Kaindi

Date: 31st March 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021	2020
		Frw'000	Frw'000
Interest income calculated using the effective interest method	8	44,694,998	39,123,691
Interest expense	9	(17,818,505)	(16,710,944)
Net interest income		**26,876,493**	**22,412,747**
Fee and commission income	10(i)	4,068,478	3,588,222
Fee and commission expense	10(ii)	(2,093,696)	(1,619,018)
Net fee and commission income		**1,974,782**	**1,969,204**
Revenue		**28,851,275**	**24,381,951**
Net trading income	11	4,123,874	5,277,228
Other operating income	12	470,348	1,531,921
Net operating income before change in expected credit losses and other credit impairment charges		**33,445,497**	**31,191,100**
Net impairment charge on loans and advances	21(ii)	(1,704,740)	(5,536,066)
Net operating income		**31,740,757**	**25,655,034**
Employee benefits	13(i)	(9,943,343)	(8,934,839)
Administrative expenses	13(ii)	(7,336,004)	(5,773,005)
Depreciation and amortisation	13(iii)	(3,477,007)	(3,108,842)
Operating expenses		**(20,756,354)**	**(17,816,686)**
Profit before income tax		**10,984,403**	**7,838,348**
Income tax expense	14(i)	(1,814,664)	(2,698,567)
Net profit for the year after tax		**9,169,739**	**5,139,781**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Fair value through the other comprehensive Income (FVOCI)	33(iv)	364,473	108,570
Deferred tax - FVOCI	33(iv)	(109,342)	(32,571)
Revaluation of land and building	33(iii)	146,063	-
Deferred tax on revaluation	33(iii)	(43,819)	-
Total other comprehensive income for the year		**357,375**	**75,999**
Total comprehensive income for the year		**9,527,114**	**5,215,780**
Basic and diluted earnings per share - (Frw)	15	**6.61**	**4.72**

The notes set out on pages 80 to 171 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

ASSETS	Note	2021 Frw'000	2020 Frw'000
Cash and balances with National Bank of Rwanda	17	30,502,283	30,266,747
Due from banks	18	75,020,885	39,302,920
Due from group companies	19(i)	1,303,319	1,131,523
Financial assets at fair value through other comprehensive income	20(i)	56,270,151	48,943,246
Financial assets at fair value through profit or loss	20(ii)	1,354,856	644,061
Financial assets at amortised cost	20(iii)	33,881,215	51,263,367
Loans and advances to customers	21(i)	222,423,047	205,229,128
Current tax assets	14(ii)	2,392,951	-
Other assets	22	3,279,764	3,001,489
Intangible assets	23	4,321,743	5,140,236
Property and equipment and right of use assets	24	22,355,320	32,280,971
Investment Property	25	13,820,629	-
TOTAL ASSETS		**466,926,163**	**417,203,688**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits from banks	26	60,430,768	49,823,984
Deposits from customers	27	266,462,345	248,435,597
Current tax liabilities	14(ii)	-	595,345
Other liabilities	28	13,313,408	13,373,871
Deferred tax liabilities	29	3,481,942	1,393,422
Long term debt	30	50,907,060	39,349,792
Subordinated debt	31	10,126,673	9,754,824
		404,722,196	**362,726,835**
Shareholders' equity			
Share capital	33(i)	15,150,000	12,120,000
Share premium	33(i)	6,249,832	6,249,832
Revaluation reserves	33(ii)	1,964,142	1,861,898
Retained earnings	33(iii)	38,335,409	33,995,670
Fair value reserve	33(iv)	504,584	249,453
		62,203,967	**54,476,853**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**466,926,163**	**417,203,688**

The financial statements on pages 75 to 171 were approved and authorized for issue by the Board of Directors on 23 March 2022 and were signed on their behalf by:

Managing Director

Nikhil Hira

Chairperson of the Board Audit Committee

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Share capital	Share premium	Revaluation reserves	Retained earnings	Statutory credit risk reserve	Fair value reserve	Total
		Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
At 1 January 2021		12,120,000	6,249,832	1,861,898	33,995,670	-	249,453	54,476,853
Total comprehensive income for the year								
Net Profit after income tax		-	-	-	9,169,739	-	-	9,169,739
		-	-	-	**9,169,739**	-	-	**9,169,739**
Other comprehensive income								
Revaluation of land and building	33(iii)	-	-	146,063	-	-	-	146,063
Deferred tax on revaluation	33(iii)	-	-	(43,819)	-	-	-	(43,819)
Net change in fair value through the Other comprehensive income	33(iv)	-	-	-	-	-	255,131	255,131
Total other comprehensive income		-	-	**102,244**	-	-	**255,131**	**357,375**
Total comprehensive income		-	-	**102,244**	**9,169,739**	-	**255,131**	**9,527,114**
Transactions with owners recorded directly in equity								
New bonus issue during the year	33(i)	3,030,000	-	-	(3,030,000)	-	-	-
Rights issue during the year	33(i)	-	-	-	-	-	-	-
Dividend declared and payable	16	-	-	-	(1,800,000)	-	-	(1,800,000)
Total transactions with owners for the year		**3,030,000**	-	-	**(4,830,000)**	-	-	**(1,800,000)**
Balance as at 31 December 2021		**15,150,000**	**6,249,832**	**1,964,142**	**38,335,409**	-	**504,584**	**62,203,967**

The notes set out on pages 80 to 171 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Share capital	Share premium	Revaluation reserves	Retained earnings	Statutory credit risk reserve	Fair value reserve	Total
		Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
At 1 January 2020		5,050,000	400,000	2,011,095	34,952,216	200,117	173,454	42,786,882
Net Profit after income tax		-	-	-	5,139,781	-	-	5,139,781
		-	-	-	5,139,781	-	-	5,139,781
Other comprehensive income								
Disposal of property and equipment	33(iii)	-	-	(268,556)	268,556	-	-	-
Deferred tax on disposal	33(iii)	-	-	119,359	-	-	-	119,359
Statutory credit reserve	33(v)	-	-	-	200,117	(200,117)	-	-
Net change in fair value through the other comprehensive income	33(iv)	-	-	-	-	-	75,999	75,999
Total other comprehensive income		-	-	(149,197)	468,673	(200,117)	75,999	195,358
Total comprehensive income		-	-	(149,197)	5,608,454	(200,117)	75,999	5,335,139
Transactions with owners recorded directly in equity								
New bonus issue during the year	33(i)	5,050,000	-	-	(5,050,000)	-	-	-
Rights issue during the year	33(i)	2,020,000	5,849,832	-	-	-	-	7,869,832
Final Dividend payable - 2019		-	-	-	(1,515,000)	-	-	-
Total transactions with owners for the year		7,070,000	5,849,832	-	(6,565,000)	-	-	6,354,832
Balance as at 31 December 2020		12,120,000	6,249,832	1,861,898	33,995,670	-	249,453	54,476,853

The notes set out on pages 80 to 171 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 Frw'000	2020 Frw'000
Net cash flows generated from/(used) in operating activities	34(i)	34,367,461	(14,926,774)
Cash flows from investing activities			
Purchase of property and equipment	24	(5,700,926)	(8,544,743)
Purchase of intangible assets	23	(809,700)	(836,835)
Proceeds from disposal of property and equipment		91,142	36,362
Net cash used in investing activities		(6,419,484)	(9,345,216)
Cash flows from financing activities			
Repayment of principal of lease liabilities	34	(591,456)	(705,943)
Proceeds from long term debt	31	12,979,248	28,642,138
Principal repayment on long term debt	31	(2,384,511)	(2,316,059)
Grant Received		2,931,039	3,586,099
New capital received from Rights issue	33(i)	-	7,869,832
Net cash inflows from financing activities		12,934,320	37,076,067
Net increase in cash and cash equivalents	34(ii)	40,882,297	12,804,077
Cash and cash equivalents at start of the year	34(ii)	59,295,728	46,491,651
Cash and cash equivalents at end of the year	34(ii)	100,178,025	59,295,728

The notes set out on pages 80 to 171 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. Corporate information

I&M Bank (Rwanda) Plc (the "Bank") is a public financial institution licensed to provide corporate and retail banking services to corporate, small and medium size enterprises and retail customers in various parts of Rwanda. The Bank is a public listed company incorporated and domiciled in Rwanda. The ultimate parent of the Bank is I&M Holdings PLC, a limited liability company registered and domiciled in Kenya. The address of its registered office is as follows:

I&M Bank (Rwanda) Plc

KN 3 AV/9

PO Box 354

Kigali

Rwanda

2. Basis of preparation

The Bank's financial statements for the year 2021 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), in the manner required by Law No. 007/2021 of 05/02/2021 Governing Companies and Regulation No. 28/2019 of 09/09/2019 relating to publication of financial statements and other disclosures by banks.

Additional information required by the regulatory bodies is included where appropriate.

These financial statements have been prepared under the historical cost basis of accounting except for financial instruments classified as fair value through profit or loss (FVTPL) and Fair value through Other Comprehensive Income (FVOCI) and buildings which are measured at revalued amount less depreciation.

The Bank presents its statement of financial position in order of liquidity based on the Bank's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Maturity analysis of assets and liabilities (Note 38.2)

The financial statements for the year ended 31 December 2021 were approved and authorised for issue in accordance with a resolution of the Directors on 23 March 2022

3. Functional and presentation currency

These financial statements are presented in Rwanda Francs (Frw), which is also the functional currency and presentation currency and all values are rounded to the nearest thousand (Frw'000) except where otherwise stated.

4. Use of judgments and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

The COVID-19 pandemic and its effect on the global economy have impacted our customers, operations and Bank performance. The outbreak necessitated governments to respond at unprecedented levels to protect the health of the population, local economies and livelihoods. It has affected different regions at different times and at varying degrees and there remains a risk of subsequent waves of infection. Thus the pandemic has significantly increased the estimation uncertainty in the preparation of these financial statements including:

the extent and duration of the disruption to business arising from the actions of Government, businesses and consumers to contain the spread of the virus;

the extent and duration of the expected economic downturn, and subsequent recovery. This includes the impacts on capital markets and liquidity, credit quality, increasing unemployment, declines in consumer spending, reductions in production, and other restructuring activities; and

the effectiveness of government and central bank measures to support businesses and consumers through this disruption and economic downturn.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

4. Use of judgments and estimates (Continiued)

The Bank has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2021 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. The underlying assumptions are also subject to uncertainties which are often outside the control of the Bank. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets.

The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant note of these financial statements. Readers should carefully consider these disclosures in light of the inherent uncertainty described above.

In particular information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 6.

5. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

5.1 Foreign currency translation

Foreign currency transactions are translated into the functional currency of the Bank using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss in the year in which they arise.

Foreign currency non-monetary items measured at fair value are translated into functional currency using the rate of exchange at the date the fair value was determined. Foreign currency gains and losses on non-monetary items are recognized in statement of profit or loss and other comprehensive income consistent with the gain or loss on the non-monetary item.

5.2. Recognition of interest income and expense

Income is derived substantially from banking business and related activities and comprises net interest income and net fee and commission income and expense.

Gains and losses arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss, as well as any interest receivable or payable, are included in profit or loss in the period in which they arise.

Gains and losses arising from changes in the fair value of FVOCI financial assets, other than foreign exchange gains or losses from monetary items, are recognised directly in other comprehensive income, when the financial asset is derecognised, the cumulative gain or loss will not be reclassified to profit or loss.

For purposes of cashflow, the bank has elected to classify cashflows from interest paid, interest received and dividends received as operating activities, and cash flows from dividends paid as financing activities. Interest paid includes the interest portion of the lease liabilities.

5.2.1. Effective interest rate and amortised cost

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5. Summary of significant accounting policies (Continued)

5.2. Recognition of interest income (continued)

5.2.2. Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis prospectively.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from placements and transactions with other banks.

5.3. Net fee and commission income

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.

When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or service provided over time unless otherwise specified. The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not include multiple performance obligations, as explained further in Notes 5.3.1 and 5.3.2 below.

5.3.1. Fees and commission income from services where performance obligations are satisfied over time

Performance obligations satisfied over time include asset management, custody and other services, where the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs.

The Bank's fee and commission income from services where performance obligations are satisfied over time include the following:

- **Asset management fees:** These fees are earned for the provision of asset management services, which include portfolio diversification and rebalancing, typically over a three-year period. Asset management fees consist of management and performance fees that are considered variable consideration. Management fees are invoiced quarterly and determined based on a fixed percentage of the net asset value of the funds under management at the end of the quarter. The fees generally crystallise at the end of each quarter and are not subject to a clawback. Consequently, revenue from management fees is generally recognised at the end of each quarter.

Performance fees are based on returns in excess of a specified benchmark market return, over the contract period. Performance fees are typically received at the end of the performance period specified in the contract. The Bank recognises revenue from performance fees over the contract period, but only to the extent that it is highly probable that a significant reversal of revenue will not occur in subsequent periods. These services fees are included in the commission on service charge. Refer to note 10(i).

- **Custody fees:** The Bank earns a fixed annual fee for providing its customers with custody services, which include the safekeeping of purchased securities and processing of any dividend income and interest payments. As the benefit to the customer of the services is transferred evenly over the service period, these fees are recognized as revenue evenly over the period, based on time-elapsed. Payment of these fees is due and received quarterly in arrears. Custody fees are included in the commission on service charge. Refer to note 10(i).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5. Summary of significant accounting policies (Continued)

5.3. Net fee and commission income (Continued)

5.3.1. Fees and commission income from services where performance obligations are satisfied over time (Continued)

- **Loan commitment fees:** These are fixed annual fees paid by customers for loan and other credit facilities with the Bank, but where it is unlikely that a specific lending arrangement will be entered into with the customer and the loan commitment is not measured at fair value. The Bank promises to provide a loan facility for a specified period. As the benefit of the services is transferred to the customer evenly over the period of entitlement, the fees are recognised as revenue on a straight-line basis. Payment of the fees is due and received monthly in arrears. Loan commitment fees are included in interest income from loans and advances to customers as loan related fees. Refer to note 8.

- **Interchange fees:** The Bank provides its customers with credit card processing services (i.e., authorisation and settlement of transactions executed with the Bank's credit cards) where it is entitled to an interchange fee for each transaction (i.e., when a credit cardholder purchases goods and services from merchants using the Bank's credit card). The fees vary based on the number of transactions processed and are structured as either a fixed rate per transaction processed or at a fixed percentage of the underlying cardholder transaction. The variable interchange fees are allocated to each distinct day, based on the number and value of transactions processed that day, and the allocated revenue is recognised as the entity performs. Interchange fees are included in the commission on service charge. Refer to note 10(i).

5.3.2. Fees and commission income from providing services where performance obligations are satisfied at a point in time

Services provided where the Bank's performance obligations are satisfied at a point in time are recognized once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. These include fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of the acquisition of shares or other securities, or the purchase or sale of businesses, brokerage and underwriting fees. The Bank has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

- **Brokerage fees:** The Bank buys and sells securities on behalf of its customers and receives a fixed commission for each transaction. The Bank's performance obligation is to execute the trade on behalf of the customer and revenue is recognised once each trade has been executed (i.e., on the trade date). Payment of the commission is typically due on the trade date.

The Bank pays certain sales commission to agents for each contract that they obtain for some of its brokerage services. The Bank has elected to apply the optional practical expedient for costs to obtain a contract which allows it to immediately expense such sales commission because the amortisation period of the asset that it otherwise would have used is one year or less. Brokerage fees are included in the commission on service charge. Refer to note 10(i).

Fee and commission income that are integral to the effective interest rate of a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fee and commission expenses relate mainly to transaction and service fees are expensed as the services are received.

5.3.3. Contract balances

The following are recognised in the statement of financial position arising from revenue from contracts with customers:

- Unearned fees and commissions included under 'Other liabilities', which represent the Bank's obligation to transfer services to a customer for which the Bank has received consideration (or an amount of consideration is due) from the customer. A liability for unearned fees and commissions is recognised when the payment is made, or the payment is due (whichever is earlier). Unearned fees and commissions are recognised as revenue when (or as) the bank performs services.

- No Fees and commission receivables have been recognized in other assets as all fees are paid upfront by customers and well recognized as unearned fees.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5. Summary of significant accounting policies (Continued)

5.4. Net trading income

'Net trading income and net income on financial assets at fair value through profit or loss' comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends and foreign exchange differences.

5.5. Net loss on financial assets and liabilities designated at fair value through profit or loss

Net loss on financial instruments at FVTPL represents non-trading derivatives held for risk management purposes used in economic hedge relationship but not qualifying for hedge accounting relationships, financial assets and financial liabilities designated as at FVTPL and also non-trading assets measured at FVTPL, as required by or elected under IFRS 9.

Gains and losses arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss are included in profit or loss in the period in which they arise.

5.6. Net loss on derecognition of financial assets measured at amortised cost or FVOCI

Gains and losses arising from changes in the fair value of fair value through other comprehensive income, other than foreign exchange gains or losses from monetary items, are recognised directly in other comprehensive income, when the financial asset is derecognised or impaired, the cumulative gain or loss previously recognised in other comprehensive income will not be reclassified to profit or loss.

Net loss on derecognition of financial assets measured at amortised cost includes loss (or income) recognised on sale or derecognition of financial assets measured at amortised costs calculated as the difference between the book value (including impairment) and the proceeds received.

Interest income and expense on fair value through other comprehensive income and financial assets or liabilities held at amortised cost is recognised in profit or loss using the effective interest method.

5.7. Income tax expense

Income tax expense comprises current tax and change in deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for:

- Temporary differences relating to the initial recognition of assets or liabilities in a transaction that is not a business combination, and which affects neither accounting nor taxable profit.
- Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill

Deferred income tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

A deferred income tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5. Summary of significant accounting policies (Continued)

5.8. Financial instruments- Initial Recognition

5.8.1. Date of recognition

The Bank initially recognises loans and advances, deposits and Due from Banks, financial assets at fair value through other comprehensive income and financial assets at amortized costs on the date at which they are originated. All other financial assets and liabilities (including assets designated at fair value through profit or loss) are initially recognised on the trade date on which the Bank becomes a party to the contractual provision of the instrument.

5.8.2. Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. A financial asset or liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

5.8.3. Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. On initial recognition, a financial asset is measured at either:

amortised cost as explained in Note 5.9.1

FVOCI as explained in Note 5.9.3

FVTPL as explained in Note 5.9.2

The Bank classifies and measures its derivative and trading portfolio at FVPL, as explained in Notes 5.9.2 and 5.9.3. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in Note 5.9.7.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL and derivative instruments or the fair value designation is applied, as explained in Note 5.9.7.

5.8.4. Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or liability measure at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolio of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5. Summary of significant accounting policies (Continued)

5.8.4. Determination of fair value (Continued)

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- **Level 1:** inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- **Level 2:** inputs other than quoted prices included in level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- **Level 3:** inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Bank periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Bank's financial instruments such as credit risk (CVA), own credit (DVA) and/or funding costs (FVA). Therefore, the Bank applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralised financial instruments. The Bank estimates the value of its own credit from market observable data, such as secondary prices for its traded debt and the credit spread on credit default swaps and traded debts on itself.

The Bank evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments, when necessary, based on the facts at the end of the reporting period.

Detailed quantitative disclosures of the financial assets allocated in each level are further explained in Note 38 (i).

5.9. Financial assets and liabilities per financial statement line

5.9.1. Cash and balances with central bank, Due from Banks, due group companies, loans and advances to customers, financial assets at amortised cost

The Bank measures Cash and Balances with central bank, Due from banks, due from group companies, loans and advances to customers and other financial assets at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

5.9.1.1. Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

how the performance of the portfolio is evaluated and reported to the Bank's management;

the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5.9. Financial assets and liabilities per financial statement line (Continued)

5.9.1.1. Business model assessment (Continued)

the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

5.9.1.2. Solely Payments of Principal and Interest (SPPI Test)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

contingent events that would change the amount and timing of cash flows;

leverage features;

prepayment and extension terms;

terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and

features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Bank holds a portfolio of long-term fixed rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty.

The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

5.9.2. Financial assets at fair value through profit or loss

A Financial asset at fair value through profit or loss is a financial instrument or other contract with all three of the following characteristics:

- It's value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Bank entered into swap derivative transactions with central bank. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Derivatives are settled net in cash on a regular basis through a central clearing house and are only recognised to the extent of the overnight outstanding balance. The notional amount and fair value of such derivatives are disclosed separately in Note 28. Changes in the fair value of derivatives are included in net trading income and no hedge accounting is applied on those derivatives.

The Bank classifies financial assets or financial liabilities at FVTPL when they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Those Financial assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in profit or loss. Interest and dividend income or expense is recorded in profit or loss according to the terms of the contract, or when the right to payment has been established. Included in this classification are financial assets, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5.9.3. Financial assets at FVOCI

The Bank classifies Financial assets at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI financial assets are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost as explained in Note 5.2.2. The ECL calculation for financial assets at FVOCI is explained in Note 5.13.3. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

5.9.4. Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of equity under IAS 32 Financial Instruments: Presentation. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never reclassified to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

5.9.5. Long term debt and subordinated debt

After initial measurement, long term debt and subordinated debt are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

5.9.6. Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met.

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis

Or

- The liabilities are part of a group of financial liabilities, which are managed, and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Or

- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value.

Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the through OCI and do not get reclassified to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using the contractual interest rate, as explained in Note 5.2.2. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5. Summary of significant accounting policies (Continued)

5.9.7. Financial guarantees, letters of credit and undrawn loan commitments

Financial guarantees are initially recognised in the financial statements (within off statement of financial position) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and an ECL allowance as set out in Note 38.

The premium received is recognised in the income statement in Net fees and commission income on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position.

The nominal values of these instruments together with the corresponding ECL are disclosed in Note 37.1.

The Bank occasionally issues loan commitments at below market interest rates. Such commitments are subsequently measured at the higher of the amount of the ECL allowance (as explained in Notes 7.12 and 48.4.3) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised as outlined in Note 12.

5.10. Reclassifications of financial assets and liabilities

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets. Financial liabilities are never reclassified.

5.11. Derecognition of financial assets and liabilities

5.11.1. Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Bank considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors. The Bank's accounting policy in respect of forborne and modified loans is set out in Note 7.17.

5.11.2. Derecognition other than for substantial modification

5.11.2.1. Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5. Summary of significant accounting policies (Continued)

5.11. Derecognition of financial assets and liabilities (Continued)

5.11.2. Derecognition other than for substantial modification (Continued)

5.11.2.1. Financial assets (Continued)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of financial assets designated as at FVOCI is not reclassified to in the profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

5.11.2.2. Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

5.12. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities are generally reported gross in the statement of financial position except when the IFRS netting criteria is met.

Positions that are managed on a Settled-to-market basis, are transactions that are settled in cash before

the close of the business day and therefore the balances are no longer recognised on the balance sheet as an asset or a liability. The relevant notional amounts are still disclosed in Note 29 of the financial statements.

The carrying amounts represent the called but not yet settled balances. Products that the Bank manages on a Settled-to-market basis include: Items in the course of collection and Fx swaps cleared through the central Bank Clearing House.

5.13. Impairment of financial assets

5.13.1. Overview of the ECL principles

The Bank records an allowance for expected credit loss for all loans and other financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section, all referred to as 'financial assets'. Equity instruments are not subject to impairment under IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5. Summary of significant accounting policies (Continued)

5.13. Impairment of financial assets (Continued)

5.13.1. Overview of the ECL principles (Continued)

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mECL) as outlined in Note 38.1. (iii).

The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 38.1. (iii).

The 12mECL is the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained in Note 38.1. (iii).

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in 38.1. (iii).

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and Purchased or originated credit impaired (POCI) as described below:

- **Stage 1:** When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- **Stage 3:** Loans considered credit-impaired (as outlined in Note 38.1. (iii)). The Bank records an allowance for the LTECL.
- **POCI:** Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

5.13.2. Calculation of ECL

The Bank calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PD is further explained in Note 38.1. (iii).

EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 38.1. (iii).

LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 38.1. (iii).

When estimating the ECL, the Bank considers three scenarios (a base case, an upside, and a downside. Each of these is associated with different PDs, EADs and LGDs, as set out in Note 38.1. (iii). When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5. Summary of significant accounting policies (Continued)

5.13. Impairment of financial assets (Continued)

5.13.2. Calculation of ECL (Continued)

With the exception of credit cards and other revolving facilities, for which the treatment is separately set out in Note 38.1. (iii), the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value

Provisions for ECL for undrawn loan commitments are assessed as set out in Note 38.1. (iii). The calculation of ECL (including the ECL related to the undrawn element) of revolving facilities such as credit cards is explained in Note 38.1. (iii).

The mechanics of the ECL method are summarised below:

- **Stage 1:** The 12mECL is calculated as the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- **Stage 3:** For loans considered credit-impaired as defined in Note 38.1. (iii). the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- **POCI:** POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECL since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.

Loan commitments and letters of credit: When estimating LTECL for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECL is calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within other liabilities.

Financial guarantee contract: The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs.

The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios. The ECL related to financial guarantee contracts are recognised within other liabilities.

5.13.3. Financial assets measured at fair value through OCI

The ECL for financial assets measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is reclassified to the profit and loss upon derecognition of the assets.

5.13.4. Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5. Summary of significant accounting policies (Continued)

5.13. Impairment of financial assets (Continued)

5.13.5. Credit cards and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure expectations of customer behaviour, the likelihood of default and its future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Bank's expectations, the period over which the Bank calculates ECL for these products, is twelve months for corporate and for retail products.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, as explained in Note 38.1. (iii), but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ECL for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently not charged interest.

The calculation of ECL, including the estimation of the expected period of exposure and discount rate is made, as explained in Note 38.1. (iii), on an individual basis for corporate and on a collective basis for retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

5.13.6. Forward looking information

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Public debt to GDP
- Central Bank and Repo rates
- Inflation rate
- Lending rate
- T-Bills rates

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided in Note 38.1. (iii).

5.14. Credit enhancements: collateral valuation and financial guarantees

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS standards and which are considered integral to the contractual terms of a financial assets which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily. Details of the impact of the Bank's various credit enhancements are disclosed in Note 38.1. (iii).

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Guarantees held are included in the measurement of loan ECL when either they are specified in the contractual terms of the loan or else are integral to the loan, in that they formed part of the basis on which the loan was extended.

Guarantees that are not integral to the loan's contractual terms are accounted as separate units of accounts subject to ECL. Credit default swaps are not considered to be integral to a loan's contractual terms and are accounted as derivative financial instruments, as set out in Note 38.1. (iii).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5. Summary of significant accounting policies (Continued)

5.15. Collateral repossessed

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to property and equipment under their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

In its normal course of business, the Bank engages external agents to recover funds from the repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded in the statement of financial position until all legal repossession process is completed.

5.16. Write-off

Financial assets at both amortised and FVOCI are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. The Bank must write off loans that have been classified "Loss" for more than 360 days. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

The bank had contractual amount outstanding on financial assets amounting to Frw 1,615,314,603 (2020: Frw 1,499,878,082) that were written off during the reporting period and which are still subject to enforcement activity.

5.17. Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral.

The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

If modifications are substantial, the loan is derecognised, as explained in Note 38.1. (iii). Once the terms have been renegotiated without this resulting in the derecognition of the loan, any impairment is measured using the original EIR as calculated before the modification of terms. The Bank also reassesses whether there has been a significant increase in credit risk, as set out in Note 38.1. (iii) and whether the assets should be classified as Stage 3. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

Once an asset has been classified as forborne, it will remain forborne for a minimum 24-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing
- The probation period of two years has passed from the date the forborne contract was considered performing
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period
- The customer does not have any contracts that are more than 30 days past due. Details of forborne assets are disclosed in Note 38.1. (iii).

5.18. Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all of the risks and rewards of ownership.

The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5. Summary of significant accounting policies (Continued)

5.18. Repurchase and reverse repurchase agreements (Continued)

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within cash collateral on securities borrowed and reverse repurchase agreements, reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the EIR.

If securities purchased under an agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading and measured at fair value with any gains or losses included in net trading income.

5.19. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows in the financial statements, cash and cash equivalents' include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

5.20. Property and equipment

Items of property and equipment are measured initially at cost. Subsequently items of property are measured at cost (computer equipment, furniture, fittings and fixtures, equipment and motor vehicles) or revalued amounts (for Land and Buildings) less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the asset.

Though initially recognized at cost, for purposes of revaluation, land & buildings must be professionally valued every 5 years. The fair value should be determined based on the market comparable approach that reflects recent transaction prices for similar properties.

The fair value of the land and buildings has been determined on a market value basis in accordance with the RICS Valuation Professional Standards (January 2014) (''Standards'') which comply with the International Valuation Standards. The valuations were performed by CORAS Limited, an accredited independent valuer with a recognized and relevant professional qualification with recent experience in the category of the investment property being valued in 2021. A net additional gain from the revaluation of the Land and building of FRW 102,244,241 in 2021 was recognized in other comprehensive income. Fair value measurement disclosures for revalued land and buildings are provided in Note 38. None of property and equipment has been pledged as security over borrowings. Subsequent expenditure is capitalised only when it is probable that future economic benefits of the expenditure will flow to the Bank. On-going repairs and maintenance are expensed as incurred.

The land is not depreciated, on remaining asset depreciation is charged on a straight-line basis to allocate the cost of each asset, to its residual value over its estimated useful life as follows:

Buildings	2% -5%
Computer equipment	33%
Furniture, fittings and fixtures	15%
Equipment	15%
Motor vehicles	25%

Depreciation is recognised in profit or loss. The assets' residual values and useful lives are reviewed and adjusted as appropriate, at each reporting date.

Any gains or losses on disposal of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in other income in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5. Summary of significant accounting policies (Continued)

5.21. Intangible assets

(i). Computer software

The costs incurred to acquire and bring to use specific computer software licences are capitalised. Software is measure at cost less accumulated amortisation and accumulated impairment. The costs are amortised on a straight-line basis over the expected useful lives, from the date it is available for use, not exceeding five years. Costs associated with maintaining software are recognised as an expense as incurred. Amortisation is calculated using the straight-line method to write down the cost of intangible assets over their estimated useful lives between 3 and 5 years.

Amortisation methods, residual values and useful lives are reviewed and adjusted as appropriate, at each reporting date and all additions are being done by an external party.

5.22. Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments.
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. The Bank has estimated that the potential future lease payments, should it exercise the extension options, would result in an increase in lease liability of Frw 133 million.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5. Summary of significant accounting policies (Continued)

5.22. Leases (Continued)

5.22.1. Right-of-use assets

Right-of-use assets relate to leased branch, ATMs location spaces, office premises and vehicles that are presented within property and equipment (see note 24) and lease liabilities in 'other liabilities' (see note 29) in the statement of financial position.

	2021	2020
	Frw'000	Frw'000
Balance at January	1,719,703	2,065,031
Additions (Note 24)	148,441	281,791
Depreciation charge for the year (Note 24)	(585,038)	(627,119)
Balance at 31 December	**1,283,106**	**1,719,703**

5.22.2. Amounts recognised in profit or loss

	2021	2020
	Frw'000	Frw'000
Interest on lease liabilities	132,151	167,282
Expenses relating to short-term and low value leases	67,688	121,465
Expenses relating to low value leases	6,902	9,068
	206,741	**297,815**

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

5.22.3. Amounts recognised in statement of cash flows;

	2021	2020
	Frw'000	Frw'000
Total cash outflow for leases payments	(591,456)	(705,943)

5.22.4. Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the contract. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease). The weighted average lessee's incremental borrowing rate used for purposes of transition is 8% based on a loan obtained from local Bank.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5. Summary of significant accounting policies (Continued)

5.22. Leases (Continued)

5.22.5. Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee)

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

5.23. Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and group. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Bank uses financial instruments to manage its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivative financial instruments are recognised initially at fair value on the date the derivative contract is entered into. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The fair value of forward exchange contracts is the amount of the mark to market adjustment at the reporting date.

5.24. Employee benefits

(i). Defined contribution plan

The Bank contributes to a statutory defined contribution pension scheme, the Rwanda Social Security Board (RSSB). Contributions are determined by local statute and are currently limited to 5.3% of an employee's gross salary. The Bank's RSSB contributions are charged to profit or loss in the period to which they relate.

(ii). Leave accrual

The monetary value of the unutilised leave by staff as at year end is recognised within accruals and the movement in the year is recognised to the profit or loss. The leave accrual is recognized under other liabilities in the statement of financial position and are set out in note 29.

(iii). Employee Share Ownership Plan (ESOP)

Share-based compensation benefits are provided to employees via the Employee Stock Plan. Information relating to these schemes is set out in note 38.

The fair value of options granted under the Stock Plan is recognized as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. Profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5. Summary of significant accounting policies (Continued)

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognized the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognized in relation to such shares are reversed effective the date of the forfeiture.

5.25. Share capital and share issue costs

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of an equity instrument are deducted from initial measurement of the equity instruments.

5.26. Earnings per share

Basic earnings per share are calculated based on the profit attributable to owners of the Bank divided by the number of ordinary shares. Diluted earnings per share are computed using the weighted average number of equity shares and dilutive potential ordinary shares outstanding during the year.

5.27. Contingent liabilities

Letters of credit, acceptances and guarantees are not recognised and are disclosed as contingent liabilities. Estimates of the outcome and the financial effect of contingent liabilities is made by management based on the information available up to the date the financial statements are approved for issue by the directors. Any expected loss is charged to profit or loss.

5.28. Provisions

A provision is a liability of uncertain timing or amount. The liability may be a legal obligation or a constructive obligation. A constructive obligation arises from the entity's actions, through which it has indicated to others that it will accept certain responsibilities, and as a result has created an expectation that it will discharge those responsibilities.

5.29. Non-current assets held for sale

Non –current assets are classified as held for sale when their carrying amounts are to be recovered principally through a sale transaction rather than continuing use. In order to be classified as held for sale, the asset must be available for immediate sale in its present condition and the sale must be highly probable. Non –current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

During the period, the Bank purchased stock of equipment through public auction and the Bank has the plan to realize the carrying amount principally through a sale transaction in the next 12 months.

5.30. Taxes

5.30.1. Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Bank operates and generates taxable income.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognized in equity or other comprehensive income respectively and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. Detailed disclosures are provided in Note 14.

5.30.2. Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5. Summary of significant accounting policies (Continued)

5.30. Taxes (Continued)

5.30.2. Deferred tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognised as income tax benefits or expenses in the income statement except for tax related to the fair value remeasurement of financial assets at fair value through OCI, foreign exchange differences and the net movement on cash flow hedges, which are charged or credited to OCI.

These exceptions are subsequently reclassified from OCI to the income statement together with the respective deferred loss or gain. The Bank also recognises the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The Bank only off-sets its deferred tax assets against liabilities when there is both a legal right to offset its current tax assets and liabilities and it is the Bank's intention to settle on a net basis.

5.31. Fiduciary assets

The Bank provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity, unless the recognition criteria are met, are not reported in the financial statements, as they are not assets of the Bank.

The bank charges Frw 6000 for retail customers and Frw 60,000 for corporate customers on T-Bills/Bonds submissions. During the period, the bank collected Frw 846,000 (2020: Frw 756,000) as income generated from fiduciary services.

5.32. Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Bank.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

5.33. Comparative information

Where necessary, comparative figures have been restated to conform to changes in presentation in the current year.

The following presentation change was made in the current period and has affected prior year presentation:

Item in course of collection amounting to Frw 875 Million (2020: Frw 2Billion) was aggregated with other liabilities based on similarity in nature.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5. Summary of significant accounting policies (Continued)

5.34. New standards, amendments and interpretations

5.34. 1. New standards and amendments effective and adopted during the year

During the year ended 31 December 2021, the Bank has adopted the following new standards and amendments with the date of initial application by the Bank being 1 January 2021.

These are summarised below;

New standard or amendments	Effective for annual periods beginning on or after
— Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2021
— COVID-l 9-Related Rent Concessions (Amendments to IFRS 16)	1 April 2021

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets. During the 2021 financial year, the LIBOR's administrator, the Intercontinental Exchange Benchmark Administration Limited, announced it would no longer publish EUR, CHF, JPY and GBP related LIBOR rates for all tenors after 31 December 2021. The IBA has adopted a two-stage approach for the cession of the USD LIBOR rates with the 1 week and 2-month USD LIBOR rates no longer being published after 31 December 2021 and the remaining being the overnight, 1 month, 3-month, 6 month and 12 month rates no longer being published after 30 June 2023. The LIBOR rates which the bank is exposed to will be replaced by Secured Overnight Financing Rate (SOFR), Sterling Overnight Index Average (SONIA), Euro Short Term Rate (ESTR), Tokyo Overnight Average (TONA) and Swiss Average Rate Overnight (SARON). Whilst there are plans to replace JIBAR, there is currently no indication of when the designated successor rate will be made available. Given that the LIBOR rates and ARRs are calculated on a different basis, adjustments may be made to contracts that that are transitioned from LIBOR to ARRs, to ensure economic equivalence. The Bank has two LIBOR linked contracts that extend beyond 2021. The bank ceased booking new LIBOR linked exposures from 1 October 2021, apart from in limited circumstances to align with industry guidance and best practice. From this date, new exposure will be booked using the ARRs being SOFR, SONIA, ESTR, TONA and SARON. In certain instances, other suitable rates may be used, such as Central Bank Policy Rates. The bank has established a steering committee and working group within treasury and capital management (TCM) to manage the transition to ARRs. The objectives of the committee and working group include evaluating the extent to which loans advanced and liabilities reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties.

The committee and working group are working closely with business teams across the bank to establish pricing for new lending products indexed to the ARR in impacted jurisdictions.

The table below shows the amount of unreformed non derivative financial instruments as at 31 December 2021. The amounts shown in the table are the carrying amounts.

	USD LIBOR Frw'000
Financial assets:	-
Financial Liabilities:	
Long term debt	35,771,576

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5. Summary of significant accounting policies (Continued)

5.34. New standards, amendments and interpretations (Continued)

5.34.1. New standards and amendments effective and adopted during the year (Continued)

COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

In May 2020, the Board issued COVID-19-Related Rent Concessions (the 2020 amendments), which amended IFRS 16 Leases. The 2020 amendments introduced an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. Under that practical expedient, a lessee is not required to assess whether eligible rent concessions are lease modifications, instead accounting for them in accordance with other applicable guidance.

The practical expedient introduced in the 2020 amendments only applies to rent concessions for which any reduction in lease payments affects solely payments originally due on or before 30 June 2021. If the Board had taken no further action, the practical expedient would have expired in a few months.

The economic challenges presented by the COVID-19 pandemic have persisted longer than anticipated. As a result, lessors and lessees are negotiating rent concessions that extend beyond 30 June 2021.

The Board has therefore extended the practical expedient by 12 months – i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.

During the period, the Bank has not received any COVID-19 Related rent concessions.

New standards, amendments and interpretations in issue but not yet effective

The following new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2021 and have not been applied in preparing these financial statements.

New standards or amendments	Effective for annual periods beginning on or after
— Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
— Annual Improvements to IFRS Standards 2018–2020	1 January 2022
— Property and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
— Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
— Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023
— Disclosure of Accounting Polices (Amendments to IAS 1 and IFRS Practice statement 2)	1 January 2023
— Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023
— Deferred Tax relating to Assets and Liabilities arising for a Single Transaction (Amendments to IAS 12)	1 January 2023
— IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023
— Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28	Available for optional adoption/ effective date deferred indefinitely

All the above standards and Interpretations will be adopted at their effective date (except for those standards and Interpretations that are not applicable to the entity) and are not expected to have a significant impact on the financial statements of the Bank.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

5. Summary of significant accounting policies (Continued)

5.35. Government grant

The Bank participates in the Economic recovery fund which is a fund that was established by the Government of Rwanda to support the recovery of businesses hardest hit by COVID-19 so that they can survive, resume operations and safeguard employment, thereby cushioning the economic effects of the pandemic. National Bank of Rwanda was appointed as the Fund Manager.

The condition of this funding is for the Bank to provide onward lending to qualifying customers in sectors including but not limited to Education, Tourism, Manufacturing (including Agri-processing), Transport and Logistics and SMEs linked to domestic and global supply chain. All conditions have been fulfilled by the bank in the current financial year.

Under this fund, the National Bank of Rwanda extends loans to the bank at a low interest rate and in return the Bank lent out the amounts at below its standard market rate or reduced the interest rate of the existing loans.

The Bank concluded that the funding contains a significant benefit due to the low interest rate relative to market pricing. The financial liability for the funding is initially recognised under IFRS 9 at fair value considering market rates for similar borrowings and the difference between the net funds received and this fair value would be treated as a government grant under IAS 20.

The benefit of a government grant is recognised in profit or loss on a systematic basis as the Bank recognises as expenses the related costs for which the grant is intended to compensate.

6. Significant accounting judgements, estimates and assumptions

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

6.1. Expected credit losses on financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

The Bank's internal credit grading model, which assigns PDs to the individual grades

The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment

The segmentation of financial assets when their ECL is assessed on a collective basis

Development of ECL models, including the various formulas and the choice of inputs

Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs

Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary. This analysis is provided in note 38.1.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

6. Significant accounting judgements, estimates and assumptions (Continued)

6.2. Going concern

The Bank's Directors have made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Directors are not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis. Significant accounting judgements, estimates and assumptions (Continued)

6.3. Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. This analysis is provided in note 38.

6.4. Income taxes

Significant estimates are required in determining the liability for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax balances and deferred tax liability in the period in which such determination is made.

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Although in Bank tax losses can be utilised indefinitely, judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies (see Note 14).

6.5. Provisions and other contingent liabilities

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings both in Rwanda and in other jurisdictions, arising in the ordinary course of the Bank's business.

When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosers in its financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates. For further details on provisions and other contingencies see notes 35.

7. Segmental reporting

The Bank has three main segments:

Corporate & Institutional Banking: the segment services medium sized to large corporates and non-borrowing institutions in various sectors.

Business Banking (BB): in charge of mainly SMEs that are relatively smaller customers with a key man playing a predominant role. Most of sole proprietor companies and family businesses will fall into this segment; and

Retail Banking: manages banking requirements of individuals and salary earning customers e.g. current accounts, savings, credit and debit cards, consumer loans and home loans (Construction and Mortgages)

Majority of the Bank revenues are derived from interest income and the executive committee relies primarily on net interest revenue to assess the performance of the segments, the total interest income and expense for all reportable segments is presented on a net basis. There were no changes in the reportable segments during the year. There were no intersegment transfers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

7. Segmental reporting (Continued)

Management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses.

The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the executive committee. Segment assets and liabilities comprise operating assets and liabilities, but exclude items such as taxation, property and equipment and other assets not directly related to the segments.

Non-current assets additions are included in notes 23, 24 and 25.

The Bank does not suffer concentration risk and there is no single customer who contributes more than 15% of the revenue. All the segments are within Rwanda and there are no inter-segment transfers and all central costs are allocated to those three segments.

The Bank's internal measures are consistent with IFRS Standards. Therefore, the reconciling items are limited to items that are not allocated to reportable segments, as opposed to a difference in the basis of preparation of the information.

An analysis of the Bank's profit or loss, total assets and liabilities are, as follows:

Statement of profit or loss

2021:	Corporate and institutional banking	Business banking	Retail Banking	Total
	Frw'000	Frw'000	Frw'000	Frw'000
Interest and similar income	24,188,575	5,915,008	14,591,415	**44,694,998**
Interest and similar expense	(12,104,721)	(1,633,590)	(4,080,194)	**(17,818,505)**
Net fees and commissions	1,068,103	261,529	645,150	**1,974,782**
Net foreign exchange income	2,801,489	378,074	944,311	**4,123,874**
Operating income	**15,953,446**	**4,921,021**	**12,100,682**	**32,975,149**
Other income	251,077	67,271	152,000	**470,348**
Impairment of financial assets	(910,010)	(243,818)	(550,912)	**(1,704,740)**
Employee benefit	(5,307,872)	(1,422,133)	(3,213,338)	**(9,943,343)**
Depreciation of property & equipment	(1,856,067)	(497,294)	(1,123,646)	**(3,477,007)**
Other operating expenses	(3,916,044)	(1,049,223)	(2,370,737)	**(7,336,004)**
Total operating expenses	**(11,079,983)**	**(2,968,650)**	**(6,707,721)**	**(20,756,354)**
Profit before income tax	**4,214,529**	**1,775,824**	**4,994,050**	**10,984,403**
Income tax expense	(696,256)	(293,373)	(825,036)	**(1,814,664)**
Net profit after tax	**3,518,273**	**1,482,451**	**4,169,014**	**9,169,739**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

7. Segmental reporting (Continued)

2020:	Corporate and institutional banking	Business banking	Retail Banking	Total
	Frw'000	Frw'000	Frw'000	Frw'000
Interest and similar income	20,279,760	6,528,142	12,315,789	**39,123,691**
Interest and similar expense	(12,332,978)	(1,335,586)	(3,042,380)	**(16,710,944)**
Net fees and commissions	314,381	549,356	1,105,467	**1,969,204**
Net foreign exchange income	3,894,689	421,771	960,768	**5,277,228**
Operating income	**12,155,852**	**6,163,683**	**11,339,644**	**29,659,179**
Other income	817,757	219,101	495,063	**1,531,921**
Impairment of financial assets	(2,955,216)	(791,789)	(1,789,061)	**(5,536,066)**
Employee benefit	(4,769,521)	(1,277,894)	(2,887,424)	**(8,934,839)**
Depreciation of property & equipment	(1,659,536)	(444,638)	(1,004,668)	**(3,108,842)**
Other operating expenses	(3,081,697)	(825,677)	(1,865,631)	**(5,773,005)**
Total operating expenses	**(9,510,754)**	**(2,548,209)**	**(5,757,723)**	**(17,816,686)**
Profit before income tax	**507,639**	**3,042,786**	**4,287,923**	**7,838,348**
Income tax expense	**(174,628)**	**(1,046,718)**	**(1,477,221)**	**(2,698,567)**
Net profit after tax	**333,011**	**1,996,068**	**2,810,702**	**5,139,781**

Statement of financial position

2021:	Corporate and institutional banking	Business banking	Retail Banking	Total
	Frw'000	Frw'000	Frw'000	Frw'000
ASSETS				
Loans and advances to customers	120,373,573	29,435,824	72,613,650	**222,423,047**
LIABILITIES				
Customer deposits	181,017,007	24,429,105	61,016,233	**266,462,345**
Deposits from banks	60,430,768	-	-	**60,430,768**
2020:				
ASSETS				
loans and advances to customers	109,553,699	29,352,623	66,322,806	**205,229,128**
LIABILITIES				
Customer deposits	172,668,199	23,114,350	52,653,048	**248,435,597**
Deposits from banks	49,823,984	-	-	**49,823,984**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

8. Interest income calculated using effective interest rate

	2021	2020
	Frw '000	Frw'000
Financial assets measured at amortised cost		
Loans and advances to customers	33,313,994	31,216,209
Loans and advances to banks	978,603	992,035
Government investment securities	4,361,654	3,897,035
Financial assets measured at FVOCI		
Government investment securities	6,040,747	3,018,412
	44,694,998	**39,123,691**

All interest income has been calculated using the effective interest method.

9. Interest expense

	2021	2020
	Frw '000	Frw '000
Deposits from customers	8,594,783	7,624,238
Deposits from banks	6,322,452	6,451,154
Long term debt	2,070,036	1,712,078
Subordinated debt	699,083	756,192
Lease liabilities (Note 32)	132,151	167,282
	17,818,505	**16,710,944**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

10. Net fee and commission income

In the following table, fee and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major service lines.

(i) Fee and commission income	2021	2020
	Frw '000	Frw '000
Major service lines		
Commission on services charge	1,996,228	1,507,310
Commission on guarantee issued	1,112,299	1,174,978
Current account ledger fees	844,970	769,476
Service fees on Transfers	58,156	60,713
Other commissions	56,825	75,745
	4,068,478	**3,588,222**
(ii) Fees and commission expense		
Interbank transaction fees	(194,901)	(101,776)
Other fees expense*	(1,898,795)	(1,517,242)
	(2,093,696)	**(1,619,018)**
Net fee and commission income	**1,974,782**	**1,969,204**

* Other fees expense comprises of the licences, hosting fees, processing fees, secure code expenses card service providers.

11. Net trading income

Foreign exchange dealings from customers	4,543,266	6,370,464
Revaluation gain/(loss) on	(419,392)	(1,093,236)
	4,123,874	**5,277,228**

12. Other operating income

Profit on sale of property and equipment	81,233	27,918
Bad debt recoveries	142,318	361,920
Other income*	257,392	165,515
Modification (loss) / Gain*	(10,595)	976,568
	470,348	**1,531,921**

*Other income relates mainly to recoveries on loans previously written off amounting to Frw 150Million.

*Modification Gain arises as the difference between the present value of the modified cash flows discounted using the original effective interest rate and the present value of the original cash flows from accounts whose terms and conditions have been modified.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

13. Operating expenses

(i) Employee benefits	2021	2020
	Frw '000	Frw'000
Salaries and wages	7,983,464	7,221,955
Medical expenses	395,494	395,494
Statutory contribution	385,956	393,634
Mileage expenses	170,045	159,922
Training expenses	179,989	113,908
Staff leave allowance	450,541	441,212
Notional benefits	171,142	118,977
Other staff costs	206,712	89,737
	9,943,343	**8,934,839**

(ii) Administrative expenses	2021	2020
	Frw '000	Frw'000
Consultancy fees	1,227,232	1,056,072
Administrative expenses	781,253	969,654
Other general expenses	1,384,756	810,762
Repairs & maintenance	1,094,002	710,363
Marketing & publicity	557,545	432,243
Board expenses	513,984	402,326
Security	425,604	388,895
Utilities	488,205	304,199
Statutory fees	304,108	269,243
Communications expenses	194,754	198,713
Insurance	310,592	125,310
Donations and Membership fees	53,969	105,226
	7,336,004	**5,773,005**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

13. Operating expenses (continued)

	2021	2020
(iii) Depreciation and Amortisation	**Frw '000**	**Frw'000**
Depreciation on property and equipment (Note 24)	1,194,326	1,037,845
Amortisation of intangible assets (Note 23)	1,628,193	1,443,878
Depreciation of Right of use asset (Note 24)	585,038	627,119
Depreciation on investment property (Note 25)	69,450	-
	3,477,007	**3,108,842**

The average number of employees employed by the Bank are as follows:

	2021	2020
Management	13	11
Others	416	389
	429	**400**

14. Income tax

The components of income tax expense for the year ended 31 December 2021, as follows:

	2021	2020
	Frw'000	**Frw'000**
(i) Income tax expense		
Current income tax (Credit)/Charge	(120,695)	2,860,697
Deferred tax charge	1,935,359	(162,130)
Income tax expense	**1,814,664**	**2,698,567**

Reconciliation of effective tax rate

The tax charge shown in the income statement differs from the tax charge that would apply if all profits had been charged at corporate rate (30%). A reconciliation between the tax expense and the accounting profit multiplied by domestic tax rate for the years ended 31 December 2021 and 2020 is, as follows:

		2021		2020
	Effective tax rate	**Frw'000**	**Effective tax rate**	**Frw'000**
Accounting profit before tax		**10,984,403**		**7,838,348**
Computed tax using the applicable corporation tax rate at 30% (2020:(30%))	30%	3,295,321	30%	2,351,504
Tax-exempt income	-	-	(3.90)%	(312,624)
Non-deductible expenses	(13.60%)	(1,480,657)	8.40%	659,687
	16.40%	**1,814,664**	**34.40%**	**2,698,567**

The effective income tax rate for 2021 is 16.4% (2020: 34.40%).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

14. Income tax (Continued)

	2021	2020
(ii) Current Tax (assets) / liabilities	**Frw'000**	**Frw'000**
At 1 January	595,345	245,479
Income tax expense (Note 14 (i))		2,860,697
Tax paid (Note 34(i))	(2,867,600)	(2,510,831)
Prior year overprovision	(120,696)	-
At 31 December	**(2,392,951)**	**595,345**

The Bank statutory corporate tax rate is 30%. During the year the Bank recognized the investment allowance on the new building and offset the statutory tax obligation for the year.

The non-deductible expenses relate to expenses that are not deductible in determining taxable profit (tax loss) per the tax Law. These include donations, personal consumption expenses and other non-business expenses.

15. Basic and diluted earnings per share

Basic and diluted earnings per share (EPS) data for ordinary shares are presented in the financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by the profit or loss attributable to ordinary shareholders and adjusting weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

The Bank's basic and diluted EPS are the same since no potential ordinary shares and calculation has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	2021	2020
	Frw '000	**Frw '000**
Net profit after tax attributable to owners of the company (Frw '000')	**9,169,739**	**5,139,781**
Weighted average number of ordinary shares in issue during the year ('000)	**1,386,329**	**1,087,887**
Earnings per share (Frw)	**6.61**	**4.72**

There was a Bonus issue of 1:4 whereby all shareholders were offered one new fully paid up bonus share of a par value of Frw 10 for every four ordinary shares held. This was effective on the 4th June 2021. (Refer to note 33).

16. Dividends per share

	2021	2020
	Frw'000	**Frw'000**
The calculation of dividend per share is based on:		
Final dividend proposed during the year (Frw'000)	1,800,000	-
	1,800,000	**-**
Weighted average number of ordinary shares in issue during the year ('000)	**1,515,000**	**1,212,000**
Final dividend per share (Frw.)	**1.19**	**-**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

17. Cash and balances with Central Bank

	2021 Frw'000	2020 Frw'000
Cash on hand	5,821,977	5,724,325
Balances with National Bank of Rwanda:		
-Unrestricted balances	10,945,678	11,312,134
-Restricted balances (Cash reserve ratio)	13,734,628	13,230,288
	30,502,283	**30,266,747**

Analysis of cash and cash equivalents

Cash and balances with Central Bank included in the statement of cash flow comprise the following.

	2021 Frw'000	2020 Frw'000
Cash on hand	5,821,977	5,724,325
Balances with National Bank of Rwanda:		
-Unrestricted balances	10,945,678	11,312,134
	16,767,655	**17,036,459**

The Bank's Cash Reserve Ratio is non-interest earning based on a requirement to maintain a prescribed minimum cash balances with the National Bank of Rwanda that is not available to finance day to day activities and is excluded from the computation. The amount is determined as a percentage of the average outstanding customer deposits over a cash reserve cycle period of one month. At 31 December 2021, the cash ratio requirement was 4% (2020: 4%). The allowance for ECL relating to Cash and balances with Central Bank is presented below:

31 December 2021	**12-month**	**Frw'000**	**Frw'000**	**Frw'000**	**Frw'000**
Internal rating grade	**PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing					
High grade	0.00%-1.68%	**399**	-	-	**399**
31 December 2020					
Internal rating grade					
Performing					
High grade	0.00%-0.23%	**587**	-	-	**587**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

18. Due from Banks

	2021 Frw'000	2020 Frw'000
Placement with banking institutions	43,174,017	17,525,983
Balance with banking institutions	31,846,868	21,776,937
Due within 90 Days	**75,020,885**	**39,302,920**

The weighted average effective interest rate on placements and balances with other banks at 31 December 2021 was 3.58% (2020: 4.3%).

Movement in the expected credit loss on dues from Banks

Due from Banks relate to nostro balances with Banks abroad. The table below shows the expected credit loss based on the Bank's internal credit rating system, 12- month Basel PD range and year-end stage classification.

31 December 2021	**12-month**	**Frw'000**	**Frw'000**	**Frw'000**	**Frw'000**
Internal rating grade	**PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing					
High grade	0.00%-1.68%	**22,301**	-	-	**22,301**
31 December 2020					
Internal rating grade					
Performing					
High grade	0.00%-0.23%	**3,414**	-	-	**3,414**

19. Due from group companies

(i) Due from group companies

	2021 Frw'000	2020 Frw'000
I&M Bank (Kenya) Limited	309,926	955,755
I&M Bank (Tanzania) Limited	768,161	71,993
Bank One	225,232	103,775
	1,303,319	**1,131,523**
(ii) Due to group companies		
I&M Bank (Kenya) Limited	24,651	122,758
	24,651	**122,758**

The amount due to related parties is included in other liabilities (Refer to Note 29).

Movement in the expected credit loss on due from group companies

Due from group companies relate to nostro balances with related Banks abroad. The table below shows the expected credit loss based on the Bank's internal credit rating system, 12-month Basel PD range and year-end stage classification.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

19. Due from group companies (Continued)

31 December 2021	12-month	Frw'000	Frw'000	Frw'000	Frw'000
Internal rating grade	**PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing					
High grade	0.00%-1.68%	61	-	-	61
31 December 2020	**12-month**	**Frw'000**	**Frw'000**	**Frw'000**	**Frw'000**
Internal rating grade	**PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing					
High grade	0.00%-0.23%	42	-	-	42

20. Financial assets

(i). Financial assets measured at fair value through other comprehensive income (FVOCI)

	2021	2020
Government securities	**Frw'000**	**Frw'000**
Treasury Bonds	55,652,828	48,343,875
Corporate Bonds	617,323	599,371
	56,270,151	**48,943,246**

The table below shows the expected credit loss on financial assets at FVOCI.

31 December 2021					
Grading: Performing	**PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Investment grade	0.00%-1.48%	2,348	-	-	2,348
31 December 2020					
Grading: Performing					
Investment grade	0.00%-0.23%	4,176	-	-	4,176

Financial assets at fair value through profit or loss (FVTPL)

Net Derivative assets (Non liquid)	**1,354,856**	**644,061**

The Bank entered into derivatives with National Bank of Rwanda at different fixed exchange rate for risk management purposes. The Bank will receive interest of 2% and will pay interest of 8% to the National Bank of Rwanda to be settled semi-annually. The bank does not use hedge accounting, the derivatives are recognized as fair value through profit or loss. As at 31 December 2021, the fair value of the derivative financial instrument (swap) was a net asset of Frw 1,354,855,658 (2020: Frw 644,061,156).

The Bank's Financial assets mandatorily measured at fair value through profit or loss are mainly comprise of derivatives.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

20. Financial assets (Continued)

The movement in the derivative instruments including interest accruals is as below;

	2021	2020
	Frw'000	**Frw'000**
Balance as at 1 January	644,061	429,065
Placement under swap arrangement	-	30,448,247
Receipt under swap arrangement	-	(30,552,601)
Fair value	710,795	319,350
	1,354,856	**644,061**

(ii). Financial assets at amortised cost

	2021	2020
Government securities	**Frw'000**	**Frw'000**
Treasury Bills	24,702,346	32,262,238
Treasury Bonds	7,505,558	19,001,129
Eurobond	1,673,311	-
	33,881,215	**51,263,367**

The weighted average effective interest rate on investments securities and balances with other banks as at 31 December 2021 was 11.08% (2020: 8.9%).

The table below shows the expected credit loss on financial assets at amortized cost;

31 December 2021	12- month	Frw'000	Frw'000	Frw'000	Frw'000
Grading: Performing	**PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Investment grade	0.00%-1.48%	69,920	-	-	69,920
31 December 2020					
Grading: Performing					
Investment grade	0.00%-0.23%	59,718	-	-	59,718

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

20. Financial assets (Continued)

The change in the carrying amount of financial assets held is as shown below:

	Financial assets measured at FVOCI	Other financial assets at amortised cost	Financial assets measured at FVTPL	Total
	Frw'000	Frw'000	Frw'000	Frw'000
At 1 January 2021	48,943,246	51,263,367	644,061	100,850,674
Additions	9,116,358	19,444,696	-	28,561,054
Disposals and maturities	(3,932,365)	(37,558,853)	277,513	(41,213,705)
Revaluation gain	738,539	-	1,022,973	1,761,512
Discounts and premiums	(639,015)	(7,081)	-	(646,096)
Interest receivable	2,043,388	739,086	(589,691)	2,192,783
At 31 December 2021	**56,270,151**	**33,881,215**	**1,354,856**	**91,506,222**
	-	-	-	
At 1 January 2020	16,444,933	31,665,173	429,065	48,539,171
Additions	32,264,839	32,262,238	21,992	64,549,069
Disposals and maturities	(1,518,753)	(13,210,469)	(162,740)	(14,891,962)
Revaluation gain	356,361	-	482,091	838,452
Discounts and premiums	(377,817)	(38,852)	-	(416,669)
Interest receivable	1,773,683	585,277	(126,347)	2,232,613
At 31 December 2020	**48,943,246**	**51,263,367**	**644,061**	**100,850,674**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

20.Financial assets (Continued)

(iv)Impairment losses on financial assets subject to impairment assessment

Government securities and due from other banks are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. Management consider 'low credit risk for these financial assets as they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The PD rate assigned to these has been 0.00% to 1.48% which is the probability of default assigned to a B+ sovereign rating for Rwanda and investment grade by Standard & Poors rating agency with Loss given default of 20%. The table below shows the fair value of the Bank's financial assets measured at FVOCI by credit risk, based on the Bank's internal credit rating system, 12-month Basel PD range and year-end stage classification. The amounts presented are gross of allowance for ECL.

31 December 2021	12-month	Frw'000	Frw'000	Frw'000	Frw'000
	PD range	Stage 1	Stage 2	Stage 3	Total
Internal rating grade					
Performing					
Investment grade	0.00%-1.48%	72,268	-	-	72,268

31 December 2020	12-month	Frw'000	Frw'000	Frw'000	Frw'000
	PD range	Stage 1	Stage 2	Stage 3	Total
Internal rating grade					
Performing					
Investment grade	0.00%-0.23%	63,894	-	-	63,894

21. Loans and advances to customers

(i) Classification

	2021	2020
	Frw'000	Frw'000
Mortgage loans	48,752,737	87,207,925
Equipment loans	64,362,907	36,859,479
Consumer loans	82,330,200	49,341,647
Overdrafts	37,953,101	39,152,898
Gross loans and advances	**233,398,945**	**212,561,949**
Less: Impairment loss allowance on loans and advances (Note 38.1.(iii))	(10,975,898)	(7,332,821)
Net loans and advances	**222,423,047**	**205,229,128**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

21. Loans and advances to customers (Continued)

(ii) Impairment loss allowance for the year

2021:	Loans and advances to Customers at amortised cost	Loan commitments and financial guarantee contracts	Other financials assets	Total
	Frw'000	Frw'000	Frw'000	Frw'000
Net remeasurement of loss allowance	4,625,561	130,462	-	4,756,328
New financial assets originated or purchased	582,664	26,730		609,394
	5,208,225	**157,192**	**-**	**5,365,417**
Recoveries of loans and advances derecognised	(1,565,149)	(1,859,043)		(3,424,192)
Recoveries on bad debts	(236,485)	-	-	(236,485)
	3,406,591	**(1,701,851)**	**-**	**1,704,740**

2020:	Loans and advances to Customers at amortised cost	Loan commitments and financial guarantee contracts	Other financials assets	Total
	Frw'000	Frw'000	Frw'000	Frw'000
Net remeasurement of loss allowance	4,039,123	1,871,776	-	5,910,899
New financial assets originated or purchased	570,078	61,570	67,937	699,585
	4,609,201	**1,933,346**	**67,937**	**6,610,484**
Recoveries of loans and advances previously impaired	(1,644,606)	(3,273)	-	(1,647,879)
Amounts directly written off during the year	573,461	-	-	573,461
	3,538,056	**1,930,073**	**67,937**	**5,536,066**

Movements in the ECL loss allowance is disclosed on Note 38.1.(iii).

	2021	2020
	Frw'000	Frw'000
Interest on impaired loans and advances which has not yet been received in cash	**2,662,342**	**1,402,409**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

21. Loans and advances to customers (Continued)

(iii) Loans and advances concentration by sector

	2021		2020	
	Frw '000	%	Frw '000	%
Manufacturing	42,274,091	18%	35,140,368	17%
Wholesale and retail trade	30,596,464	13%	34,015,429	16%
Building and construction	20,247,947	9%	52,001,346	24%
Agriculture	18,059,738	8%	10,516,004	5%
Transport and communication	30,951,251	13%	31,705,376	15%
Others	91,269,455	39%	49,183,426	23%
	233,398,946	**100%**	**212,561,949**	**100%**

The weighted average effective interest rate on loans and advances as at 31 December 2021 was 15.68% (2020: 16.9%).

22. Other assets

	2021	2020
	Frw'000	Frw'000
Prepayments	853,710	596,980
Non-Current asset held for sale*	121,213	332,660
Staff Notional benefit	1,757,710	1,620,561
Other receivables	547,131	451,288
	3,279,764	**3,001,489**

*These amounts relate to non- current assets held for sale in accordance with IFRS 5 that were purchased through public auction and the Bank has the plan to realize the carrying amount principally through a sale transaction in the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

23. Intangible assets

2021:	Computer Software	Capital work in progress	Total
Cost	Frw'000	Frw'000	Frw'000
At 1 January	**9,191,882**	**608,093**	**9,799,975**
Additions	7,080	802,620	809,700
Transfer from capital work in progress	586,808	(586,808)	-
Write offs	(8,759)	-	(8,759)
At 31 December	**9,777,011**	**823,905**	**10,600,916**
Amortisation			
At 1 January	**4,659,739**	**-**	**4,659,739**
Amortisation for the year	1,628,193	-	1,628,193
At 31 December	**6,279,173**	**-**	**6,279,173**
Carrying amount at 31 December 2021	**3,497,838**	**823,905**	**4,321,743**

2020:	Computer Software	Capital work in progress	Total
Cost	Frw'000	Frw'000	Frw'000
At 1 January	**8,117,211**	**845,929**	**8,963,140**
Additions	-	836,835	836,835
Reclassification from capital work in progress	-	-	-
Transfer from capital work in progress	1,074,671	(1,074,671)	-
Write offs	-	-	-
At 31 December 2020	**9,191,882**	**608,093**	**9,799,975**
Amortization			
At 1 January	**3,215,861**	**-**	**3,215,861**
Amortisation for the year	1,443,878	-	1,443,878
At 31 December 2020	**4,659,739**	**-**	**4,659,739**
Carrying amount at 31 December 2020	**4,532,143**	**608,093**	**5,140,236**

Capital work in progress is mainly software projects under development and all additions are being done by an external party.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

24. Property, equipment and right of use assets

						Right of use assets		
2021	Land and Buildings	Furniture, fittings, fixtures and office equipment	Computers	Motor Vehicles	Capital work in progress	Branches& ATMs locations	Motor vehicles	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
Cost/ Valuation								
At 1 January	6,311,451	3,082,301	2,427,947	828,093	24,831,565	2,271,523	652,601	40,405,481
Additions	984,716	302,689	66,438	89,063	4,109,579	148,441	-	5,700,926
Disposals	-	(123,184)	-	(194,874)	-	-	-	(318,058)
Transfer from work in progress	10,710,950	2,533,888	-	-	(13,244,838)	-	-	-
Reclassification to investment property					(13,890,079)			(13,890,079)
Elimination of previous revaluation surplus	(3,504,116)	(72,323)	-	-	-	-	-	(3,576,439)
New revaluation surplus	2,479,293	-	-	-	-	-		2,479,293
At 31 December	**16,982,294**	**5,723,371**	**2,494,385**	**722,282**	**1,806,227**	**2,419,964**	**652,601**	**30,801,124**
Depreciation								
At 1 January	2,066,871	2,168,398	2,077,470	607,350	-	891,173	313,248	8,124,510
Charge for the year	488,544	372,363	219,301	114,118	-	428,414	156,624	1,779,364
On disposals	(1,170,885)	(119,123)	-	(168,062)	-	-	-	(1,458,069)
At 31 December	**1,384,530**	**2,421,638**	**2,296,771**	**553,406**	**-**	**1,319,587**	**469,872**	**8,445,804**
Net book value at 31 December 2021	**15,597,764**	**3,301,733**	**197,614**	**168,876**	**1,806,227**	**1,100,377**	**182,729**	**22,355,320**

Revaluation of Land and Buildings

Management determined that the land and buildings constitute a separate class of property and equipment, based on the nature, characteristics and risks of the property. The fair value of the land and buildings has been determined on a market value basis in accordance with the RICS Valuation Professional Standards (January 2014) (''Standards'') which comply with the International Valuation Standards. The valuations were performed by CORAS Limited, an accredited independent valuer with a recognized and relevant professional qualification with recent experience in the category of the investment property being valued in 2021. A net additional gain from the revaluation of the Land and building of FRW 102,244,241 in 2021 was recognized in other comprehensive income. Fair value measurement disclosures for revalued land and buildings are provided in Note 38. None of property and equipment has been pledged as security over borrowings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

24. Property, equipment and right of use assets (Continued)

2020	Land and Buildings	Furniture, fittings, fixtures and office equipment	Computers	Motor Vehicles	Capital work in progress	Right of use assets: Branches& ATMs locations	Right of use assets: Motor vehicles	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
Cost/ Valuation								
At 1 January 2020	6,625,303	2,931,126	2,341,050	760,169	16,962,335	1,989,732	652,601	32,262,316
Additions	-	54,842	72,097	121,476	8,014,537	281,791		8,544,743
Disposals	(313,852)	(34,174)	-	(53,552)	-	-	-	(401,578)
Transfers from work in progress	-	130,507	14,800	-	(145,307)	-	-	-
At 31 December 2020	**6,311,451**	**3,082,301**	**2,427,947**	**828,093**	**24,831,565**	**2,271,523**	**652,601**	**40,405,481**
Depreciation								
At 1 January 2020	1,689,702	1,967,820	1,777,087	564,715	-	420,678	156,624	6,576,626
Charge for the year	415,102	226,172	300,383	96,188	-	470,495	156,624	1,664,964
On disposals	(37,933)	(25,594)	-	(53,553)	-	-	-	(117,080)
At 31 December 2020	**2,066,871**	**2,168,398**	**2,077,470**	**607,350**	-	**891,173**	**313,248**	**8,124,510**
Net book value at 31 December 2020	**4,244,580**	**913,903**	**350,477**	**220,743**	**24,831,565**	**1,380,350**	**339,353**	**32,280,971**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

25. Investment property

	2021	2020
	Frw'000	Frw'000
Opening balance at 1 January	-	-
Reclassification from PPE	13,890,079	-
Depreciation for the year	(69,450)	-
	13,820,629	**-**

The Bank has completed the construction of unique and iconic new head office on its property located at KN3 Av/9 situate in the central business of Kigali. investment property is 55% of the total cost of the new Head office building.

Investment property class is depreciated using straight line method with useful life of 50 years.

The Bank has elected to initially measure its investment property at its cost with subsequent measurement at fair value in accordance with IAS 40.

On initial recognition, The Bank has not fair valued the investment property because the market for comparable properties is inactive and alternative reliable measurements of fair value are not available.

26. Deposits from banks

	2021	2020
	Frw'000	Frw'000
Current and demand deposits	29,317,870	10,986,937
Saving deposits	1,557,079	20,785,927
Term Deposits	29,555,819	18,051,120
	60,430,768	**49,823,984**

27. Deposits from customers

Current and demand deposits	183,879,566	185,011,163
Saving deposits	33,683,106	29,818,629
Term Deposits	48,899,673	33,605,805
	266,462,345	**248,435,597**

Securities lending and repurchase agreements and assets held or pledged as collateral

The following table summarises the assets sold/lent and considered as pledged financial assets as the counterparty has the right to sell or re-pledge the securities:

Fair value of Assets pledged and held as collateral

Asset type	2021	2020
	Frw'000	Frw'000
Assets pledged as collateral under securities borrowing and reverse repo agreements	25,548,500	9,050,000
Customer deposits held as collateral for irrevocable commitments under import letters of credit	2,865,214	1,267,772
	28,413,714	**10,317,772**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

28. Other liabilities

	2021	2020
	Frw'000	Frw'000
Accruals	3,214,098	1,094,846
Provisions for loan commitments* (Note 38.1.(iii))	268,294	1,970,145
Other provisions	114,265	88,493
Lease liabilities (Note 32)	1,189,019	1,693,100
Other accounts payables	2,960,983	899,193
Subsidies payables	2,824,448	3,586,099
Due to related parties	24,651	122,758
Dividend payable	1,841,826	1,547,320
Items in the course of collection*	875,824	2,371,917
	13,313,408	**13,373,871**

- Provision for loan commitments, represents expected credit loss allowance for loan commitments, financial guarantees and letter of credit contracts.
- The Bank received EUR 2,499,880 as subsidies payable for investing for employment (IFE) from KfW Development Bank in order to support the Preservation of private sector employment in Rwanda against the effects of the Covid -19 Pandemic.
- Items in the course of collection consist of central Bank clearing suspense accounts as well as card settlements.

Other Provisions movement during the period

Below is a reconciliation movement for Other provisions balances;

	2021
	Frw'000
At 1 January	88,493
Movement during the year	40,820
Utilized during the period	(15,048)
Balances as at 31 December 2021	**114,265**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

29. Deferred tax

2021:	Balance at 1 January	Recognised in equity	Recognized in profit or loss	Balance at 31 December
	Frw'000	Frw'000	Frw'000	Frw'000
Deferred income tax asset				
Other provisions	861,081	-	869,153	1,730,234
	861,081	**-**	**869,153**	**1,730,234**
Deferred income tax liability				
Property and equipment	2,147,594	43,819	2,804,512	4,995,925
Financial asset at fair value through OCI	106,909	109,342	-	216,251
	2,254,503	**153,161**	**2,804,512**	**5,212,176**
Deferred income tax asset/(liability)	**1,393,422**	**153,161**	**1,935,359**	**3,481,942**

2020:	Balance at 1 January	Recognized in equity	Recognized in profit or loss	Balance at 31 December
	Frw'000	Frw'000	Frw'000	Frw'000
Deferred income tax asset				
Other provisions	603,987	-	257,094	861,081
Prior year under/overprovision	107,100	-	(107,100)	-
	711,087	**-**	**149,994**	**861,081**
Deferred income tax liability				
Property and equipment	2,279,089	(119,359)	(12,136)	2,147,594
Financial assets at fair value through OCI	74,337	32,572	-	106,909
	2,353,426	**(86,787)**	**(12,136)**	**2,254,503**
Deferred income tax asset/(liability)	**1,642,339**	**(86,787)**	**(162,130)**	**1,393,422**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

30. Long Term Debt

	2021 Frw'000	2020 Frw'000
Less than one year	12,343,490	2,453,347
One to five years	38,563,570	36,896,445
	50,907,060	**39,349,792**
Loan movement schedule		
At 1 January	39,349,792	13,336,947
Funds received	12,979,248	28,642,138
Fair value Adjustment	928,569	(524,519)
Interest payable	1,946,862	1,206,230
Principal repayments	(2,384,511)	(2,316,059)
Interest repayment	(1,912,900)	(994,945)
At 31 December	**50,907,060**	**39,349,792**

	2021 Frw'000	2020 Frw'000
European Investment Bank (EIB)	7,668,814	10,081,059
Rwanda Development Bank (BRD)	5,528,949	3,118,756
National Bank of Rwanda (Economic Recovery Fund)	1,937,721	1,596,457
Entrepreneurial Development Bank (FMO)	25,665,544	14,819,482
International Finance Corporation (IFC WCS)	10,106,032	9,734,038
	50,907,060	**39,349,792**

Long term debt constituted the following:

(a). Entrepreneurial Development Bank (FMO)

During the year under audit, the Bank received a senior unsecured debt from FMO of USD 10,000,000 at 3.4% per annum above the 6-month Libor with maturity up to July 10, 2027.

(b). National Bank of Rwanda (Economic Recovery Fund facility)

During the year, the Bank agreed with Central Bank of Rwanda and received additional 5 years economic recovery fund facility at maximum of 2% to establish the framework where the Bank will extend loans to business hardly hit by COVID-19.

The Bank has accounted the portion related to Government Grant in accordance IAS 20 Accounting for Government Grants and Disclosure of Government Assistance amounting to Frw 595 million (2020: Frw 533). Refer to note 38.1.(iii)

The bank lends to its customers at average rate of 7%.

(c). European Investment Bank

Long term loan from EIB of Frw 14.1 billions were received in years of 2014, 2015, 2016 and 2019 at average rate of 9.22% with tenor period of less than 7 years for which its repayment amounts are fixed in Rwandan Francs. They are unsecured loans.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

30. Long term debt (Continued)

(d). Rwanda Development Bank (BRD)

During the year, the Bank received Frw 2.4Billions repayable in 6 years from BRD at average rate of 4% to support power and energy sector. The loan is not secured.

(e). IFC Loan

During the year, the Bank renewed a senior debt from IFC of USD 10,000,000 under its COVID-19 working capital solution scheme at a variable rate of 1.9% per annum above the 6-month Libor.

31. Subordinated debt

	2021 Frw'000	2020 Frw'000
Less than one year	30,495	30,074
One to five years	10,096,178	9,724,750
	10,126,673	**9,754,824**
Loan movement schedule		
At 1 January	9,754,824	9,259,073
Payment of principal and interest	(698,662)	(760,017)
Interest during the period	699,083	756,192
Translation differences	371,428	499,576
At 31 December	**10,126,673**	**9,754,824**

In 2018, The Bank acquired a 5 year subordinated loan with IFC at an interest rate of 9.003% repayable in semi-annual instalments The purpose of the loan is to provide the Bank with a subordinated loan which qualifies as Tier 2 capital therefore enabling the Bank to increase its lending to clients.

32. Lease liabilities

Set out below are the carrying amounts of lease liabilities (included under 'other liabilities' in note 28) and the movements during the period:

	2021 Frw'000	2020 Frw'000
Balance as at 1 January	1,693,100	1,941,552
Payment of principal and interest*	(636,232)	(415,734)
Interest expense during the period	132,151	167,282
Balance as at 31 December	**1,189,019**	**1,693,100**
Maturity analysis		
Less than one year	577,861	656,322
Between one and five years	925,474	1,406,882
More than five years	27,300	113,619
Total lease liabilities as at 31 December	**1,530,635**	**2,176,823**

* Payment of principal and interest includes principal amounting to Frw 591 million that has been considered for cashflow purposes. (Note 5.22.3).

The 2020 disclosure on maturity analysis has been updated to show the undiscounted maturities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

33. Share capital and reserves

Issue capital and share premium

Ordinal share capital

	31 December 2021		31 December 2020	
Authorized	**No. Shares**	**Frw'000**	**No. Shares**	**Frw'000**
Ordinary shares of Frw 10 each	**2,500,000,000**	**25,000,000**	**2,500,000,000**	**25,000,000**

Issued and fully paid share capital

2021:	**Issued & fully paid shares**	**Share capital**	**Share premium**	**Total**
		Frw'000	**Frw'000**	**Frw'000**
At 01 January 2021	1,212,000,000	12,120,000	6,249,832	18,369,832
Bonus issue of Frw 10 each	303,000,000	3,030,000	-	3,030,000
Rights Issue of Frw 39.60 each	-	-	-	-
Rights issue expenses	-	-	-	-
At 31 December 2021	**1,515,000,000**	**15,150,000**	**6,249,832**	**21,399,832**

2020:	**Issued & fully paid shares**	**Share capital**	**Share premium**	**Total**
		Frw'000	**Frw'000**	**Frw'000**
At 01 January 2020	505,000,000	5,050,000	400,000	5,450,000
Bonus issue of Frw 10 each	505,000,000	5,050,000	-	5,050,000
Rights Issue of Frw 39.60 each	202,000,000	2,020,000	5,979,200	7,999,200
Rights issue expenses	-	-	(129,368)	(129,368)
At 31 December 2020	**1,212,000,000**	**12,120,000**	**6,249,832**	**18,369,832**

Share premium comprises of additional paid-in capital in excess of the nominal (par) value. This reserve is not ordinarily available for distribution.

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. All ordinary shares rank equally with regard to the Bank's residual assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

33. Share capital and reserves (Continued)

(ii). Retained earnings

These comprise prior year profits, less any dividends, less appropriations to credit risk and current year profit;

	2021	**2020**
	Frw'000	**Frw'000**
As at 1 January	33,995,670	33,437,216
Profit for the year	9,169,739	5,139,781
New Bonus issue exercise	(3,030,000)	(5,050,000)
Declared and payable dividend	1,800,000	-
Reclassification of revaluation reserve to retained earnings	-	268,556
Transfer from/(to) Statutory credit reserve	-	200,117
As at 31 December	**38,335,409**	**33,995,670**

(iii). Revaluation reserve

The revaluation reserve arises on revaluation of buildings. When revalued property is disposed, the portion of the revaluation reserve that relates to that asset is transferred to retained earnings. In 2020 the bank disposed of the Kabuga and Gicumbi buildings and the impact on the revaluation reserve is as below;

	2021	**2020**
	Frw'000	**Frw'000**
As at 1 January	1,861,898	2,011,095
Additional revaluation	146,063	-
Deferred tax on revaluation surplus	(43,819)	
Reclassification of revaluation reserve to retained earnings on disposal	-	(268,556)
Deferred tax on disposed assets (Note 29)	-	119,359
As at 31 December	**1,964,142**	**1,861,898**

(iv). Fair value reserve

The reserve is attributable to changes in fair value of financial securities classified under the fair value through other comprehensive income category. This is shown on the statement of comprehensive income and is not reclassified to profit or loss when the asset is impaired or disposed.

	2021	**2020**
	Frw'000	**Frw'000**
As at 1 January	249,453	173,454
Change in FVOCI on financial assets during the year	364,473	108,571
Deferred tax expense (Note 29)	(109,342)	(32,572)
As at 31 December	**504,584**	**249,453**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

33. Share capital and reserves (Continued)

(v). Statutory credit risk reserve

Where impairment losses required by legislation or regulations exceed those computed under International Financial Reporting Standards (IFRSs), the excess is recognised as a statutory reserve and accounted for as an appropriation of retained profits and the reverse for reductions. These reserves are not distributable. During the prior year, IFRS 9 provisions were higher than those arrived at using regulatory provisions. As result, the excess credit reserve for financial assets has been recycled to retained earnings.

During the year, there was no excess regulatory provision, the IFRS 9 provisions were higher than the regulatory provisions.

	2021 Frw'000	2020 Frw'000
As at 01 January	-	200,117
Appropriation for the year	-	-
Reclassified to retained earning	-	(200,117)
As at 31 December	**-**	**-**

34. Notes to the statement of cash flows

(i). Reconciliation of profit before income tax

	Note	2021 Frw'000	2020 Frw'000
Cash flows from operating activities			
Profit before income tax		**10,984,403**	**7,838,348**
Adjustments for:			
Depreciation on property and equipment	24	1,779,364	1,664,964
Depreciation on investment property	25	65,450	-
Amortisation of intangible asset	23	1,628,193	1,443,878
Gain on disposal of property and equipment		81,234	42,826
Loss on non-current assets held for sale		88,052	189,340
Impairment charge in loans and advances	21(ii)	1,704,740	5,536,066
Interest income earned	8	(44,694,998)	(39,123,691)
Interest expense incurred	9	17,818,505	16,710,944
		(10,541,057)	**(5,697,325)**
Increase in operating assets			
Movement in loans and advances to customers	21(i)	(17,193,919)	(33,341,438)
Movement in financial assets measured at (FVOCI)	20(i)	(7,326,905)	(32,498,313)
Movement in financial assets at fair value through profit or loss (FVTPL)	20(ii)	(710,795)	(214,996)
Movement in financial assets at amortised cost	20(iii)	17,382,152	(19,598,194)
Change in restricted balances with central Bank	17	(504,340)	358,821
Other assets	22	(278,276)	(530,875)
		(8,632,083)	**(85,824,995)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

34. Notes to the statement of cash flows (Continued)

Increase in operating liabilities			
Customer deposits	27	18,026,748	56,631,256
Deposits from banks	26	10,606,784	(1,743,409)
Other payables	29	1,435,629	5,109,702
		30,069,161	**59,997,549**
Cash flows generated from (used in) / operating activities		**10,896,021**	**(31,524,771)**
Interest received		43,932,593	36,943,482
Interest paid		(17,593,553)	(17,834,654)
Tax paid	14(ii)	(2,867,600)	(2,510,831)
Net cash flows generated from (used in) / operating activities		**34,367,461**	**(14,926,774)**

(ii) Analysis of cash and cash equivalents

	Note	2021 Frw'000 a	2020 Frw'000 b	Change Frw'000 c =(a – b)
Cash and balances with National Bank of Rwanda	17	16,767,655	17,036,459	(268,804)
Financial assets	20(iii)	7,505,558	32,262,239	(24,756,681)
Deposits from banks		75,020,885	9,958,743	65,062,142
Due from group companies	19(i)	1,303,319	1,131,523	171,796
		100,597,417	**60,388,964**	**40,208,453**
Net Foreign exchange difference on foreign denominated balances		(419,392)	(1,093,236)	673,844
		100,178,025	**59,295,728**	**40,882,297**

(iii) Analysis of changes in financing during the year

	Note	Lease liabilities Frw'000	Long term debt Frw'000
Balance as at 1 January 2021		1,693,100	39,349,792
Payment of principal	32	(591,456)	(2,384,511)
Proceeds from long term debt	30	-	12,979,248
Total changes from financing cash flows		**1,101,644**	**49,944,529**
Changes in fair value		**-**	**928,569**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

34. Notes to the statement of cash flows (Continued)

Other changes			
Interest paid		(44,776)	(1,912,900)
Interest expense	9	132,151	1,946,862
		87,375	**33,962**
Balance as at 31 December 2021		**1,189,019**	**50,907,060**

35. Off balance sheet contingent liabilities and commitments

(a). Legal proceedings

There were a number of legal proceedings outstanding against the Bank as at 31 December 2021. Directors have made provisions in instances where they believe that there is a chance for the cash outflow against the Bank (Frw 81.2 million) and the amounts are included in other liabilities (note 29). The directors are of the view that probability of cash out flow for other provisions is remote.

(b). Rwanda revenue authority tax audit

During the year, the Rwanda Revenue Authority (RRA) conducted a tax audit for the financial years 2016 and 2017 and a final notice of tax liability amounting to Frw 828,650,508 was issued to the Bank. The Bank, with the guidance of a professional tax expert, has lodged an appeal to the commissioner General of RRA of a disputed amount of Frw 534,637,059. The directors, based on the professional advice, are confident of a positive outcome and therefore no provisions have been made in these financial statements for the portion of assessment being appealed. The appeal process had not been concluded as at the date of these financial statements.

(c). Contractual off-balance sheet financial liabilities

In the ordinary course of business, banking entities in the Bank conduct business involving guarantees, acceptances and letters of credit. These facilities are offset by corresponding obligations of third parties. At the period end, the contingent liabilities were as follows:

	2021 Frw'000	2020 Frw'000
Contingencies related to:		
Letters of credit	19,692,072	19,692,072
Guarantees	42,538,490	42,538,490
	62,230,562	**62,230,562**
Commitments related to:		
Outstanding spot/forward contracts	10,374,535	16,370,503
	72,605,097	**78,601,065**

Nature of contingent liabilities

Guarantees are generally written by a bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's default.

Letters of credit commit a bank to make payment to third parties, on production of documents, which are subsequently reimbursed by customers.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented, and reimbursement by the customer is almost immediate.

Forward contracts are arrangements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate. The fair values of the respective currency forwards are carried on the face of the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

36. Related parties transactions

I&M (Rwanda) Bank Plc's immediate parent is BCR Investment Company incorporated in Republic of Mauritius. The ultimate parent is I&M Holding PLC incorporated in Kenya. All entities within I&M Holding Group are related parties.

In the normal course of business, the Bank enters into transactions with related parties. All the loans and advances and deposits are issued or received from the related parties are at market interest rates. There were no provisions held towards impairment of any of the advances to related parties.

	2021 Frw'000	2020 Frw'000
Transactions with directors/shareholders		
Loans to directors/shareholders	1,925	67
The Directors remunerations	557,545	364,050
The non-executive directors do not receive pension entitlements from the Bank.		
Transactions with related companies		
Loans to related companies	6,432,541	-
Transactions with key management personnel		
Key Management personnel loans	547,074	374,577
Interest Income	64,348	24,392
Staff loans	5,269,596	5,081,936
Shared service cost	-	669,069
Balances		
Due from group companies	1,078,087	1,131,523
Due to group companies	24,651	122,758

37. Employee Share Option Plan

The board of directors approved an employee share ownership plan of 5,000,000 shares of Frw 10 each effective 31 March 2017. The Bank's local directors and eligible employees are entitled to participate under this scheme. As per the agreement, the share ownership plan is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees, and to promote the success of the Bank's business. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

During the year 2021, a further grant on similar terms was offered to employees with existing share options and continuous service status. In accordance with these programmes, holders of vested options are entitled to purchase shares at the market price of the shares at grant date.

The vesting period is maximum of 5 years from the date of the grant after which, as long as the continuous service status does not terminate, the Shares underlying this Option shall vest and become exercisable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

37. Employee Share Option Plan (Continued)

The terms and conditions of the grants are as follows;

Grant date/employees entitled	Number of options	Vesting conditions	Contractual life of options
Option grant to employees (31 March 2017)	5,000,000	1 years of service and the confirmed employees	5 years
Rights Issue applied by employees (31 October 2020)	277,000	Employees with existing share options and continuous service	3 years
Bonus issue granted to employees (14 July 2020)	3,577,800	status and Bonus issue at par in the ratio of 1:1 (one new share for every new ordinary share held).	
Exercised in 2020	(1,422,300)	Full payment of ESOP	
Exercised in 2021	(454,400)	Full payment of ESOP	
Bonus issue granted to employees (28 May 2021)	1,859,700	status and Bonus issue at par in the ratio of 1:4 (one new share for every four ordinary share held).	
Total share options	**8,837,800**		

Reconciliation of outstanding share options during the year

	Number of options 2021	Weighted average exercise price 2021	Number of options 2020	Weighted average exercise price 2020
Outstanding at 1 January	7,432,500	90	5,000,000	90
Exercised during the period	(454,400)	-	(1,422,300)	90
Granted during the period	1,859,700	45	3,854,800	42
Outstanding at 31 December	**8,837,800**	**45**	**7,432,500**	**45**

The options outstanding at 31 December 2021 had an exercise price of Frw 45 (2020: 90 before share split). Whenever possible, the determination of Fair Market Value is based upon the per share closing price for the shares as reported in the Rwanda Stock Exchange for the applicable date. The exercise price of the option is determined by the board.

38. Financial Instruments – Fair values and risk management

A. Accounting classifications at carrying amounts and fair values

The COVID-19 coronavirus pandemic has significantly affected financial markets and may impact valuation techniques used by banks and classification of financial instruments in the fair value hierarchy.

The tables below show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (continued)

A. Accounting classifications at carrying amounts and fair values (continued)

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised:

	Carrying amounts					Fair value			
At 31 December 2021	**Financial assets at amortised cost**	**Financial assets at FVOCI**	**Financial assets at FVTPL**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
Financial assets									
Balances with Central Bank of Rwanda	-	24,680,306	-	-	**24,680,306**	-	24,680,306	-	**24,680,306**
Financial assets at fair value through profit or loss	-	-	1,354,856	-	**1,354,856**	1,354,856	-	-	**1,354,856**
Financial assets measured at fair value through other comprehensive income	-	56,270,151	-	-	**56,270,151**	56,270,151	-	-	**56,270,151**
Other financial assets at amortised cost	33,881,215	-	-	-	**33,881,215**	33,881,215	-	-	**33,881,215**
Due from banks	75,020,885	-	-	-	**75,020,885**	-	75,020,885		**75,020,885**
Loans and advances to customers	222,423,047	-	-	-	**222,423,047**	-	222,423,047	-	**222,423,047**
Due from group companies	1,303,319	-	-	-	**1,303,319**	-	1,303,319	-	**1,303,319**
Other assets	3,037,856	-	-	121,213	**3,159,069**	-	3,159,069	-	**3,159,069**
	335,666,322	**80,950,457**	**1,354,856**	**121,213**	**418,092,848**	**91,506,222**	**326,586,626**		**418,092,848**
Financial liabilities									
Deposits from banks	-	-	-	60,430,768	**60,430,768**	-	64,456,640	-	**64,456,640**
Deposits from customers	-	-	-	266,462,345	**266,462,345**	-	293,788,161	-	**293,788,161**
Long term borrowings	-	-	-	50,907,060	**50,907,060**	-	68,391,612	-	**68,391,612**
Subordinated debt	-	-	-	10,126,673	**10,126,673**	-	12,187,589	-	**12,187,589**
Other liabilities	-	-	-	268,294	**268,294**	-	268,294	-	**268,294**
	-	**-**	**-**	**388,195,140**	**388,195,140**		**439,092,296**	**-**	**439,092,296**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (continued)

A. Accounting classifications at carrying amounts and fair values (continued)

	Carrying amounts					Fair value			
31 December 2020	**Financial assets at amortized cost**	**Financial assets at FVOCI**	**Financial assets at FVTPL**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
Financial assets									
Balances with Central Bank of Rwanda	-	24,542,423	-	-	**24,542,423**	24,542,423	-	-	**24,542,423**
Financial assets at fair value through profit or loss	-	-	644,061	-	**644,061**	644,061	-	-	**644,061**
Financial assets measured at fair value through other comprehensive income	-	48,943,246	-	-	**48,943,246**	48,943,246	-	-	**48,943,246**
Other financial assets at amortised cost	51,263,367	-	-	-	**51,263,367**	51,263,367	-	-	**51,263,367**
Due from Banks	39,302,920	-	-	-	**39,302,920**		39,302,920		**39,302,920**
Loans and advances to customers	205,229,128	-	-	-	**205,229,128**	-	205,229,128	-	**205,229,128**
Due from group companies	1,131,523	-	-	-	**1,131,523**	-	1,131,523	-	**1,131,523**
Other assets	3,001,489	-	-	-	**3,001,489**		3,001,489		**3,001,489**
	299,928,427	**73,485,669**	**644,061**	**-**	**378,302,737**	**125,393,097**	**248,665,060**	**-**	**374,058,157**
Financial liabilities									
Deposits from banks	-	-	-	49,823,984	**49,823,984**	-	53,168,605	-	53,168,605
Deposits from customers	-	-	-	248,435,597	**248,435,597**	-	274,320,617	-	274,320,617
Long term borrowings	-	-	-	39,349,792	**39,349,792**	-	55,360,978	-	55,360,978
Subordinated debt	-	-	-	11,744,808	**11,744,808**	-	13,565,308	-	13,565,308
Other liabilities	-	-	-	9,754,824	**9,754,824**	-	1,970,147	-	1,970,147
	-	**-**	**-**	**359,109,005**	**359,109,005**	**-**	**398,385,655**	**-**	**398,385,655**

The 2020 table above has been updated in the current financial statements to only include financial instruments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments (continued)

B. Measurement of fair values

i. Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values for financial instruments in the statement of financial position, as well as the significant unobservable inputs used.

Financial assets measured at fair value

Type	**Valuation technique**	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Financial assets at fair value through profit or loss (FVTPL)	Market based valuation technique	Reference to information from similar transactions in the market.	Not applicable
Financial assets – Fair Value through Other Comprehensive Income	Market based valuation echnique	Net asset value and last equity transaction on the shares	Not applicable
Property and Equipment - Land and buildings	Market based valuation technique	Price per square metre. Market comparative prices Depreciation of the buildings	Not applicable

C. Financial risk management

This section provides details of the Bank's exposure to risk and describes the methods used by management to control risk.

The more significant types of risk to which the Bank is exposed are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk and interest rate risk.

38.1. Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans and advances to customers and other banks and treasury bills. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded on the statement of financial position. In the case of credit derivatives, the Bank is also exposed to or protected from the risk of default of the underlying entity referenced by the derivative. With gross-settled derivatives, the Bank is also exposed to a settlement risk, being the risk that the Bank honours its obligation, but the counterparty fails to deliver the counter-value.

Credit-related commitment risks

The Bank makes available to its customers guarantees which may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.1. Credit risk (Continued)

Credit-related commitment risks (continued)

The Board of Directors is responsible for management and periodically reviewing the credit risk of the Bank and monitors concentrations of credit risk by sector. An analysis of portfolio concentrations of credit risk as at 31 December is shown below:

	2021		2020	
Loans and advances exposure	**Frw'000**	**%**	**Frw'000**	**%**
Corporate and institutional banking	124,657,178	53%	110,866,335	53%
Business banking	32,687,745	14%	30,712,453	14%
Retail Banking	76,054,022	33%	70,983,161	33%
Gross Loans	**233,398,945**	**100%**	**212,561,949**	**100%**

Off Balance sheet items exposure	**31 December 2021**		**31 December 2020**	
	Frw'000'	**%**	**Frw'000'**	**%**
Acceptances and Letters of Credit Issued	17,667,785	24%	19,692,072	25%
Guarantees commitments given	37,612,212	52%	42,538,490	54%
Undrawn commitments	17,325,101	24%	16,370,503	21%
	72,605,098	**100%**	**78,601,065**	**100%**

A Board Credit Committee, reporting to Board of Directors is responsible for oversight of the Bank's credit risk, including:

Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to various Credit committees as stipulated in the Bank's Credit Charter.

Reviewing and assessing credit risk. The Bank Credit risk management Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process

Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances) and by issuer, credit rating band, market liquidity and country (for financial assets).

Developing and maintaining the Bank's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures as follows:

The current risk grading framework consists of five grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive / committee as appropriate. Risk grades are subject to regular reviews by the Banks's Credit Risk department.

Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Bank Credit on the credit quality of local portfolios and appropriate corrective action is taken.

Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.1. Credit risk (Continued)

Each business unit is required to implement the Bank credit policies and procedures, with credit approval authorities delegated from the Bank's Credit Committee. Each business unit has a Head of department who reports on all credit-related matters to local management and the Bank Credit risk management Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to Central Bank's approval. Regular audits of business units and Bank Credit processes are undertaken by Internal Audit.

Credit risk grading

Other than for due from banks and financial assets where the Bank relies on internal credit rating models, the Bank relies substantially on the prudential guidelines applicable for credit risk grading that reflect its assessment of the probability of default of individual counterparties.

In addition, the prudential guidelines are supplemented;

- by Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures
- External data such as credit bureau scoring information on individual borrowers.
- Expert judgement from the Credit Risk Officer to be fed into the final credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

The following are additional considerations for each type of portfolio held by the Bank:

Customer loans and advances

After the date of initial recognition, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural score. Any other known information about the borrower which impacts their creditworthiness. A relationship manager will also incorporate any updated or new information/credit assessments into the credit system on an ongoing basis.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for loans and advances to costumers. The Bank collects performance and default information about its credit risk exposures analysed by country and borrower as well as by credit risk grading.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include:

- GDP growth,
- benchmark interest rates and
- Exchange rate.

Based on advice from the Risk Committees and economic experts and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Bank then uses these forecasts to adjust its estimates of PDs.

The Bank has applied a simpler methodology (lifetime ECL) for its other exposures including lease receivables and trade receivables.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.1. Credit risk (Continued)

Generating the term structure of PD (Continued)

COVID-19 considerations for the year ended 31 December 2021

The key consideration for probability weightings in the current period is the continuing impact of COVID-19.

The Bank considers these weightings in each geography to provide the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations (over both the short and long term) within the Bank's credit portfolios in determining them.

In addition to the base case forecast which reflects the negative economic consequences of COVID-19, greater weighting has been applied to the downside scenario given the Bank's assessment of downside risks. The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

Internal rating grades and prudential rating grades

The Bank uses the prudential rating gradings as internal grading system to classify its financial assets and below table highlights the correspondent IFRS 9 ratings.

Prudential rating grades		**IFRS 9 rating gradings**
Grade 1: Normal		Stage 1
Grade 2: Watch		Stage 2
Grade 3: Substandard		
Grade 4: Doubtful		Stage 3
Grade 5: Loss		

Credit Quality analysis

The following table sets out information about the credit quality of financial assets subject to ECL. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

31 December 2021	**12 month ECL**	**Lifetime ECL Not Credit Impaired**	**Lifetime ECL Credit Impaired**	**Total 31 December 2021**
Risk classification	**Frw'000**	**Frw'000**	**Frw'000**	**Frw'000**
Loans and advances to Customers at amortised cost				
Normal	195,754,624	-	-	195,754,624
Watch	-	27,717,211	-	27,717,211
Credit impaired loans	-	-	9,927,110	9,927,110
Gross carrying amount	**195,754,624**	**27,717,211**	**9,927,110**	**233,398,945**
Loss allowance	(2,141,317)	(1,291,657)	(7,542,924)	(10,975,898)
Carrying amount	**193,613,307**	**26,425,554**	**2,384,186**	**222,423,047**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.1. Credit risk (Continued)

Loan commitments and financial guarantee contracts				
Normal	63,122,941	-	-	63,122,941
Watch	-	7,078,579	-	7,078,579
Credit impaired loans	-	-	2,403,578	2,403,578
Gross carrying amount	**63,122,941**	**7,078,579**	**2,403,578**	**72,605,098**
Loss allowance	(81,521)	(186,773)	-	(268,294)
Carrying amount	**63,041,420**	**6,891,806**	**2,403,578**	**72,336,804**

31 December 2020	**12- month ECL**	**Lifetime ECL Not Credit Impaired**	**Lifetime ECL Credit Impaired**	**Total 31 December 2020**
Risk classification	**Frw'000**	**Frw'000**	**Frw'000**	**Frw'000**
Loans and advances to Customers at amortised cost				
Normal	180,994,597	-	-	180,994,597
Watch	-	24,213,555	-	24,213,555
Credit impaired loans	-	-	7,353,797	7,353,797
Gross carrying amount	**180,994,597**	**24,213,555**	**7,353,797**	**212,561,949**
Loss allowance	(1,124,882)	(1,444,634)	(4,763,305)	(7,332,821)
Carrying amount	**179,869,715**	**22,768,921**	**2,590,492**	**205,229,128**
Loan commitments and financial guarantee contracts				
Normal	70,108,353	-	-	70,108,353
Watch	-	6,089,134	-	6,089,134
Credit impaired loans	-	-	2,403,578	2,403,578
Gross carrying amount	**70,108,353**	**6,089,134**	**2,403,578**	**78,601,065**
Loss allowance	(47,734)	(67,210)	(1,855,201)	(1,970,145)
Carrying amount	**70,060,619**	**6,021,924**	**548,377**	**76,630,920**

The 2020 disclosure above has been updated in the current year financial statements to include the quantitative credit quality analysis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.1. Credit risk (Continued)

Loan commitments and financial guarantee contracts

The Bank has estimated the ECL for the following financial assets and are disclosed in note 19 and 20 (iv). These financial assets have been assessed to be in Stage 1 (normal).

		2021	2020
	Classification	**Frw'000**	**Frw'000**
Cash and balances with central banks	Normal	30,502,283	30,266,747
Due from banks	Normal	75,020,885	39,302,920
Financial assets at fair value through other comprehensive income (FVOCI)	Normal	56,270,151	48,943,246
Other financial assets at amortised cost		33,881,215	51,263,367
Due from group companies	Normal	1,303,319	1,131,523
		196,977,853	**170,907,803**

The following shows the grading of loans and advances to customers in line with local prudential guidelines.

	2021	2020
Loans and advances to customers	**Frw'000**	**Frw'000**
Credit impaired:		
Grade 3: Substandard	693,888	2,825,430
Grade 4: Doubtful	1,485,437	1,583,774
Grade 5: Loss	7,747,785	2,944,593
	9,927,110	**7,353,797**
Specific allowance for impairment	(7,542,924)	(4,763,305)
Carrying amounts	**2,384,186**	**2,590,492**
Performing & underperforming:		
Grade 2: Watch	27,717,211	24,213,555
Grade 1: Normal	195,754,624	180,994,597
	223,471,835	**205,208,152**
Portfolio impairment provision	(3,432,974)	(2,569,516)
Carrying amounts	**220,038,861**	**202,638,636**
Total carrying amounts	**222,423,047**	**205,229,128**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.1. Credit risk (Continued)

(i). Credit Quality analysis - continued

Loans and advances

	Gross	Net
Credit impaired:	**Frw'000**	**Frw'000**
31 December 2021		
Grade 3: Substandard	693,888	359,753
Grade 4: Doubtful	1,485,437	516,519
Grade 5: Loss	7,747,785	1,507,914
	9,927,110	**2,384,186**
31 December 2020		
Grade 3: Substandard	2,825,430	966,584
Grade 4: Doubtful	1,583,774	708,130
Grade 5: Loss	2,944,593	915,778
	7,353,797	**2,590,492**

	Gross	Net
Performing & underperforming:	**Frw'000**	**Frw'000**
31 December 2021		
Grade 1: Normal	195,754,624	193,613,307
Grade 2: Watch	27,717,211	26,425,554
	223,471,835	**220,038,861**
31 December 2020		
Grade 1: Normal	180,994,597	179,869,715
Grade 2: Watch	24,213,555	22,768,921
	205,208,152	**202,638,636**

Credit impaired

Impaired loans and securities are loans for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement(s). These loans are graded 3 (Substandard) to 5 (Loss) in the Bank's internal credit risk and grading system.

Stage 1

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed with reference to the Bank's internal rating system. All such loans must be performing in accordance with the contractual terms and are expected to continue doing so. Loans in this category are fully protected by their current sound net worth and paying capacity of the borrower. These loans and advances are categorised as normal in line with National Bank of Rwanda prudential guidelines.

Stage 2

These are loans where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank. These loans are stage 2 (Watch) in the Bank's internal credit risk and grading system.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.1. Credit risk (Continued)

(i). Credit Quality analysis - continued

Collateral held and other security enhancements

The Bank holds collaterals against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimate of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over due from banks, except when securities are held as part of reverse repurchase and securities borrowings activity. Collateral usually is not held against financial assets, and no such collateral was held at 31 December 2021 or 2020.

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

	2021	2020
	Frw'000	Frw'000
Fair value of collateral held – against impaired loans	2,384,185	6,782,918

The bank has an obligation to return the collateral upon full re-payment of loans by the customers. The customer continues to utilise the collateral until when the bank repossesses the collateral.

Percentage of exposure that is subject to forced sale value collateral requirement				
	Note	31 December 2021	31 December 2020	Principal type of collateral held
Loans and advances to Retail Customers		Frw"000"	Frw"000"	
Mortgage Loans	21	33,725,118	33,102,492	Residential properties
Personal loans	21	8,557,463	6,364,077	Movable assets
Credit Cards	21	7,979,126	1,180,068	N/A
Loans and advances to corporate customers				
Corporate loans		167,800,720	171,530,268	Assets debentures, Commercial properties, Cash cover, standby Letter of Credit, Movable assets and insurance guarantees
Loans and advances to business banking customers				
Business Banking loans	21	49,767,347	51,322,628	Movable assets, Cash collaterals, Commercial properties, Guarantee

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.1. Credit risk (Continued)

(ii). Amounts arising from ECL

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information an analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

the criteria are capable of identifying significant increases in credit risk before an exposure is in default.

the criteria do not align with the point in time when an asset becomes 30 days past due; and

there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Our impairment models have been calibrated to capture changes in probabilities of defaults (PDs) and forward-looking information in the estimation of expected credit losses (ECL).

Management has considered below parameters in arriving at its full year ECL in order to reflect the impact of the current pandemic:

For Stages 1 & 2: The December 2021 Macro adjusted PDs has been used, 10% floor rate (which is the minimum LGD of 10% for fully secured loans recommended by the Basel framework); and

For Stage 3: Revision has been made in the estimation of the minimum collateral realization from a period of 1 year to 3 years as per the Central Bank regulation.

PDs were modelled at a portfolio (Sector) level comprising of 11 key sectors.

Credit risk grading

Other than for due from banks and financial assets where the Bank relies on internal credit rating models, the Bank relies substantially on the prudential guidelines applicable for credit risk grading that reflect its assessment of the probability of default of individual counterparties.

In addition, the prudential guidelines are supplemented.

- by Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures, and turnover and industry type for wholesale exposures
- External data such as credit bureau scoring information on individual borrowers.
- Expert judgement from the Credit Risk Officer to be fed into the final credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

The following are additional considerations for each type of portfolio held by the Bank:

Customer loans and advances

After the date of initial recognition, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural score. Any other known information about the borrower which impacts their creditworthiness. A relationship manager will also incorporate any updated or new information/credit assessments into the credit system on an ongoing basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.1. Credit risk (Continued)

(iii). Amounts arising from ECL - continued

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for loans and advances to costumers. The Bank collects performance and default information about its credit risk exposures analysed by country and borrower as well as by credit risk grading.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: -

- GDP growth,
- benchmark interest rates and
- Exchange rate.

Based on advice from the Risk Committees and economic experts and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Bank then uses these forecasts to adjust its estimates of PDs.

The Bank has applied a simpler methodology (lifetime ECL) for its other exposures including lease receivables and trade receivables.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in note5

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

its remaining lifetime PD at the reporting date based on the modified terms; with

the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired /in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.1. Credit risk (Continued)

(iii). Amounts arising from ECL (Continued)

Modified financial assets (Continued)

COVID-19 considerations for the year ended 31 December 2021

During the year, the Bank has offered various forms of assistance to customers to counteract the impact of COVID-19 on the ability of customers to meet their loan obligations. The assistance provided has included arrangements such as temporary deferral of principal and interest repayments, replacing principal and interest with interest only repayments, and extension of loan maturity dates. Refer to Key Judgements and Estimates in this Note for details of the impact of deferrals when determining if there has been a Significant Increase in Credit Risk (SICR). This assessment considers both changes in cash flows arising from the modified terms as well as changes in the overall instrument risk profile; for example, changes in the principal (credit limit), term, or type of underlying collateral.

The loan repayment deferral package is considered to be a loan modification under IFRS 9. This either results in the loan being derecognised and replaced with a new loan (substantial modification) or the existing loan continuing to be recognised (non-substantial modification).

From a risk management point of view, once an asset is forborne or modified due to financial difficulties of the borrower, the Bank's business departments for distressed assets continues to monitor the exposure until it is completely and ultimately derecognised.

The following table provides information on financial assets that were modified while they had a loss allowance measured at an amount equal to 12-month ECL and lifetime ECL.

	2021	2020
	Frw'000	Frw'000
Financial assets modified during the period		
Amortised cost before modification	56,160,720	69,028,314
Net modification Gain	965,972	976,567
Financial assets modified since initial recognition		
Gross carrying amount of financial assets previously modified for which loss allowance has changed during the period to an amount equal to 12-month ECL from lifetime	1,822,707	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.1. Credit risk (Continued)

(iii). Amounts arising from ECL (Continued)

Modified financial assets (Continued)

COVID-19 considerations for the year ended 31 December 2021 (Continued)

The table below provides modified assets with assistance package category per segment:

	2021	2020
	Frw'000	Frw'000
Assistance package category		
Principal Moratorium		
Seg: Corporate & Institutional Banking	690,491	647,542
Seg: Business Banking	233,109	191,258
Interest only		
Seg: Corporate Institutional Banking	3,334,757	9,137,199
Term extensions		
Seg: Corporate Institutional Banking	22,688,036	24,098,445
Seg: Business Banking	11,743,939	15,901,659
Seg: Personal Banking	17,470,388	19,052,211
Total	**56,160,720**	**69,028,314**
Seg: Corporate Institutional Banking	**26,713,284**	**33,883,186**
Seg: Business Banking	**11,977,048**	**16,092,917**
Seg: Personal Banking	**17,470,388**	**19,052,211**
	56,160,720	**69,028,314**

The Bank remained throughout the period committed to ensure business continuity and operations in all branches, on boarding customers on digital channels, ensuring safeness of its employees and supporting government to cushion the economic impact of the pandemic. The modification gain has been included under other operating income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.1. Credit risk (Continued)

(iii). Amounts arising from ECL (Continued)

Modified financial assets (Continued)

Guaranteed loans and other customer support

Regulators and governments have implemented a broad range of measures to promote financial stability in response to COVID-19. Those measures implemented by governments and regulators in Rwanda include financial assistance packages through economic recovery fund at average rate of 2% to the Bank and the Bank lends to its customers at an average rate of 7%. The following table presents fair value measurement under government support schemes as at 31 December 2021:

	2021	2020
	Frw'000	Frw'000
Disbursed amount under Economic Recovery Fund scheme	2,613,332	2,130,262
Loan from Central Bank through Economic Recovery Fund scheme	2,017,583	1,596,456
Government Grant	595,749	533,806
Fair Value Measurement of loans to customers	883,933	766,159
Interest expense for the year	21,073	3,872
Unwinding the discounting impact for the year	62,855	12,769

The following table presents the number of customer accounts and associated loan values of customers under government grant and bank specific schemes as at 31 December;

2021	**Corporate Banking**	**Business Banking**
Number of approved accounts	4	13
Loan value of customers under the scheme	1,099,963	1,556,113
% of portfolio	1%	4%
2020		
Number of approved accounts	4	9
Loan value of customers under the scheme	1,099,963	1,030,299
% of portfolio	0.9%	5.3%

The Bank has accounted the portion related to government grant in accordance IAS 20 Accounting for government grants and disclosure of government Assistance amounting to Frw 595Million (2020: Frw 533Million). Refer note 30.

Fair value measurement of loans provided under economic recovery scheme is included in other assets and the impact is unwind through profit and loss and included under interest income and interest expenses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.1. Credit risk (Continued)

(iii). Amounts arising from ECL (Continued)

Modified financial assets (Continued)

Definition of default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Assets and Liabilities Committee (ALCO) and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organisations such as the International Monetary Fund (IMF), World Bank and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses.

In determining the likelihood of each of the macroeconomic scenarios, a weighting of 58.33% (base case), 16.67% (upside case) and 25% (downside case) was applied in 2021 where as a weighting of 91% (base case), 8% (upside case) and 1% (downside case) was applied in 2020. Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets were developed based on analysing historical data over the past 3 to 5 years.

There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs in the current year. As at 31 December 2021, the base case assumptions have been updated to reflect the rapidly evolving situation with respect to COVID-19. This includes an assessment of the impact of Central Bank policies, governments' actions, the response of business, and institution specific responses (such as repayment deferrals). These are considered in determining the length and severity of the forecast economic downturn. The expected outcomes of key economic drivers for the base case scenario as at 31 December 2021 are described below.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.1. Credit risk (Continued)

(iii). Amounts arising from ECL (Continued)

The economic scenarios used as at 31 December included the following ranges of key indicators:

Incorporation of forward-looking information

	2021		
Macro-Economic variable	**Base**	**Upside**	**Downside**
	%	%	%
Weighting	**58.33%**	**16.67%**	**25.00%**
Central Bank Rate	4.5%	5%	4%
Repo rate	4.5%	5%	4%
Reverse Repo	4.5%	5%	4%
T-Bills 91 days	6.83%	7.45%	6.20%
Lending rate	16.23%	16.91%	15.54%
GDP	7.20%	7.65%	6.75%
Inflation	5.70%	7.00%	4.40%
Public debt to GDP	77.90%	84.80%	71.00%

	2020		
Macro-Economic variable	**Base**	**Upside**	**Downside**
	%	%	%
Weighting	**91.00%**	**8.00%**	**1.00%**
Central Bank Rate	4.5%	5%	4%
Repo rate	4.5%	5%	4.25%
Treasury bills 182 days	7.04%	7.69%	6.40%
T-Bills 91 days	5.84%	6.72%	4.96%
Lending rate	16.43%	17.32%	15.54%
GDP	(2%)	(6%)	2%
Inflation	5%	8%	2%
Public debt to GDP	71.10%	71.10%	71.10%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.1. Credit risk (Continued)

(iii). Amounts arising from ECL - continued

Incorporation of forward-looking information (Continued)

The backward elimination multiple regression model led to the following macro-economic factors per sector for the year ended 31 December 2021;

2021	
Sector	**Macro-economic factors**
i) Agriculture	· Reverse repo
ii) Trade and Manufacturing	· Reverse repo
iii) Building and Construction	· GDP
	· Public debt to GDP
	· Repo
iv)Tourism Restaurants and Hotels	· T-Bills 91 days
	· Public debt to GDP
v) Mining and Quarrying	· Reverse repo
vi) Personal/Households	· Public debt to GDP
vii) Social, Community and Personal	· Public debt to GDP
	· Repo
viii) financial services	· Reverse repo

2020	
Sector	**Macro-economic factors**
i) Agriculture	· Central Bank Rate
ii) Trade and Manufacturing	· T-Bills 182 days.
	· GDP
iii) Building and Construction	· Repo
iv)Tourism Restaurants and Hotels	· Inflation
	· Public debt to GDP
v) Mining and Quarrying	· T-Bills 91 days
	· T-Bills 182 days
	· Lending rate
vi) Personal/Households	· Public debt to GDP
vii) Social, Community and Personal	· Public debt to GDP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.1. Credit risk (Continued)

(iii). Amounts arising from ECL - continued

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above. PDs are estimates at a certain date, which are calculated based on statistical models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for due from banks and financial assets.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based mainly on the counterparties' collateral and also on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

ECL - Sensitivity analysis

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Bank should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of collectively assessed ECL to key factors used in determining it as at 31 December 2021:

	December 2021		December 2020	
	ECL	Impact	ECL	Impact
	Frw'000	Frw'000	Frw'000	Frw'000
If 1% of stage 1 facilities were included in Stage 2	2,790,136	105,674	3,071,648	88,798
If 1% of stage 2 facilities were included in Stage 1	2,670,854	(13,608)	2,970,204	(12,645)

Expected credit loss allowance

The significant changes in the gross carrying amount in three corporate customers together with increase significant risk during the period contributed to changes in loss allowance by 86% of the total expected credit risk.

The following tables show reconciliations from the opening to the closing balance of the expected credit losses for the loans and advances and loan commitments and financial guarantee contracts;

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.1. Credit risk (Continued)

(iii). Amounts arising from ECL - continued

Loss allowance- Loans and advances (continued)

	Provisions (ECL allowance)				Exposure (Gross balance)			
2021:	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
Balance at 1 January	**1,124,882**	**1,444,635**	**4,763,305**	**7,332,822**	**180,994,597**	**24,213,556**	**7,353,797**	**212,561,950**
Transfer from 12 months ECL (Stage 1)	(57,074)	43,395	13,679	-	(10,542,504)	9,264,661	1,277,843	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	640,208	(798,770)	158,562	-	3,717,909	(4,650,079)	932,170	-
Transfer from Lifetime ECL credit impaired (Stage 3)	277,138	127,248	(404,386)	-	564,214	193,878	(758,092)	-
Net remeasurement of loss allowance	(21,850)	356,339	4,291,072	**4,625,561**	13,552,024	(1,523,513)	2,947,396	**14,975,907**
New financial assets originated or purchased	280,980	179,337	122,347	**582,664**	35,805,659	1,186,719	150,230	**37,142,608**
Financial assets derecognised	(102,967)	(60,527)	(1,401,655)	**(1,565,149)**	(28,337,275)	(968,011)	(1,976,234)	**(31,281,520)**
Balance at 31 December	**2,141,317**	**1,291,657**	**7,542,924**	**10,975,898**	**195,754,624**	**27,717,211**	**9,927,110**	**233,398,945**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.1. Credit risk (Continued)

(iii). Amounts arising from ECL - continued

Loss allowance- Loans and advances (continued)

	Provisions				Exposure			
2020	12- month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
Balance at 31 January 2020	**658,545**	**541,430**	**3,168,251**	**4,368,226**	**156,540,106**	**13,834,759**	**5,881,051**	**176,255,916**
Transfer from 12 months ECL (Stage 1)	(52,099)	43,545	8,554	-	(12,839,650)	11,385,794	1,453,856	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	136,400	(275,557)	139,157	-	2,340,492	(4,085,079)	1,744,587	-
Transfer from Lifetime ECL credit impaired (Stage 3)	68,565	36,313	(104,878)	-	160,945	78,916	(239,861)	-
Net remeasurement of loss allowance	79,508	931,716	3,027,899	**4,039,123**	17,401,149	3,816,004	551,364	**21,768,517**
New financial assets originated or purchased	253,625	227,743	88,710	**570,078**	23,391,011	1,084,910	128,248	**24,604,169**
Financial assets derecognised	(19,664)	(60,555)	(1,564,387)	**(1,644,606)**	(5,999,456)	(1,901,749)	(2,165,448)	**(10,066,653)**
Balance at 31 December	**1,124,880**	**1,444,635**	**4,763,306**	**7,332,821**	**180,994,597**	**24,213,555**	**7,353,797**	**212,561,949**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.1. Credit risk (Continued)

(iii). Amounts arising from ECL - continued

Loss allowance - Loan commitments and financial guarantee contracts

	Provisions (ECL allowance)				Exposure			
2021:	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
Balance at 1 January	**47,734**	**67,210**	**1,855,201**	**1,970,145**	**70,108,353**	**6,089,134**	**2,403,578**	**78,601,065**
Transfer from 12 months ECL (Stage 1)	(35)	35	-	-	(12,826)	12,826	-	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	1,161	(1,161)	-	-	128,271	(128,271)	-	-
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	26,773	103,689	-	**130,462**	(7,303,737)	914,646	-	**(6,389,091)**
New financial assets originated or purchased	8,572	18,158	-	**26,730**	4,980,495	213,584	-	**5,194,079**
Financial assets derecognised	(2,684)	(1,158)	(1,855,201)	**(1,859,043)**	(4,777,615)	(23,340)	-	**(4,800,955)**
Balance at 31 December	**81,521**	**186,773**	**-**	**268,294**	**63,122,941**	**7,078,579**	**2,403,578**	**72,605,098**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.1. Credit risk (Continued)

(iii). Amounts arising from ECL - continued

Loss allowance- Loan commitments and financial guarantee contracts (continued)

	Provisions (ECL allowance)				Exposure (Gross balance)			
2020:	**12-month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**	**12-month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
Balance at 1 January	**38,208**	**1,864**	**-**	**40,072**	**72,224,026**	**283,736**	**-**	**72,507,762**
Transfer from 12 months ECL (Stage 1)	(1,855,383)	182	1,855,201	-	(6,268,267)	2,692,391	3,575,876	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	606	(606)	-	-	11,295	(11,295)	-	-
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	1,860,698	11,078	-	**1,871,776**	4,926,514	(578,296)	(1,172,298)	**3,175,920**
New financial assets originated or purchased	6,080	55,490	-	**61,570**	2,057,194	3,968,945	-	**6,026,139**
Financial assets derecognised	(2,475)	(798)	-	**(3,273)**	(2,842,409)	(266,347)	-	**(3,108,756)**
Balance at 31 December	**47,734**	**67,210**	**1,855,201**	**1,970,145**	**70,108,353**	**6,089,134**	**2,403,578**	**78,601,065**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.1. Credit risk (Continued)

(iii). Amounts arising from ECL - continued

Credit risk analysis on the maximum exposure by Sector and segment

An analysis of risk concentration in gross carrying amounts and corresponding ECL in the loans portfolio by type of lending(Segment) and sector is presented below tables;

	Gross carrying amount (Frw"000"				Allowance for ECL (Frw"000")				ECL Coverage %		
2021:	Stage 1	Stage 2	Stage 3	Total exposure	Stage 1	Stage 2	Stage 3	Total ECL	Stage 2	Stage 3	Total ECL
Segments											
Business	24,391,161	5,830,081	2,466,503	32,687,745	980,755	200,609	1,351,300	2,532,664	23.2%	54.8%	7.7%
Corporate	103,291,882	17,659,509	3,705,787	124,657,178	321,763	514,184	3,363,385	4,199,332	19.0%	90.8%	3.4%
Retail	68,071,581	4,227,622	3,754,819	76,054,022	659,793	755,870	2,828,239	4,243,902	66.9%	75.3%	5.6%
otal	**195,754,624**	**27,717,212**	**9,927,109**	**233,398,945**	**1,962,311**	**1,470,663**	**7,542,924**	**10,975,898**	**5.3%**	**76.0%**	**4.7%**

	Gross carrying amount (Frw"000"				Allowance for ECL (Frw"000")				ECL Coverage %			
	Stage 1	Stage 2	Stage 3	Total exposure	Stage 1	Stage 2	Stage 3	Total ECL	Stage 1	Stage 2	Stage 3	Total ECL
Sector												
Constructions	71,055,826	17,592,146	7,567,097	96,215,069	664,168	1,251,656	6,298,185	8,214,009	0.9%	7.1%	83.2%	8.5%
Wholesale	24,806,522	4,511,408	1,147,221	30,465,152	49,683	146,081	532,272	728,036	0.2%	11.8%	46.4%	2.4%
Transport and Communication	28,672,367	1,979,292	166,758	30,818,416	149,726	16,235	52,659	218,620	0.5%	2.7%	31.6%	0.7%
Agriculture	17,705,709	276,521	-	17,982,230	32,507	5	-	32,512	0.2%	0.0%	0.0%	0.2%
Manufacturing	38,285,629	2,915,708	736,576	41,937,913	9,282	18,397	397,921	425,600	0.0%	13.6%	54.0%	0.0%
Other	15,228,571	442,138	309,457	15,980,165	1,056,945	38,288	261,888	1,357,120	6.9%	59.2%	84.6%	8.5%
Total	**195,754,624**	**27,717,212**	**9,927,109**	**233,398,945**	**1,962,311**	**1,470,663**	**7,542,924**	**10,975,898**	**1.0%**	**5.3%**	**76.0%**	**4.7%**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.1. Credit risk (continued)

(iii)Amounts arising from ECL - continued

Credit risk analysis on the maximum exposure by Sector and segment (Continued)

2020:	Gross carrying amount (Frw"000"				Allowance for ECL (Frw"000")				ECL Coverage %			
	Stage 1	Stage 2	Stage 3	Total exposure	Stage 1	Stage 2	Stage 3	Total ECL	Stage 1	Stage 2	Stage 3	Total ECL
Segments												
Business	23,641,939	4,792,785	2,277,729	30,712,453	75,010	116,166	1,168,655	1,359,831	0%	2%	51%	4.4%
Corporate	95,846,872	13,912,880	1,106,583	110,866,335	352,086	242,285	888,896	1,483,267	0%	2%	80%	1.3%
Retail	61,505,786	5,507,890	3,969,485	70,983,161	697,784	1,086,184	2,705,755	4,489,723	1%	20%	68%	6.3%
Total	**180,994,597**	**24,213,555**	**7,353,797**	**212,561,949**	**1,124,880**	**1,444,635**	**4,763,306**	**7,332,821**	**0.6%**	**6%**	**64.8%**	**3.5%**

2020:	Gross carrying amount (Frw"000"				Allowance for ECL (Frw"000")				ECL Coverage %			
	Stage 1	Stage 2	Stage 3	Total exposure	Stage 1	Stage 2	Stage 3	Total ECL	Stage 1	Stage 2	Stage 3	Total ECL
Sectors												
Constructions	32,822,471	14,025,053	5,153,821	52,001,346	9,061	245,825	3,625,611	3,880,497	0%	2%	70%	7.5%
Wholesale	29,920,845	2,881,041	1,213,543	34,015,429	192,692	66,082	669,945	928,719	1%	2%	55%	2.7%
Transport and communication	29,866,274	1,689,323	149,779	31,705,376	202,493	40,156	80,429	323,078	1%	2%	54%	1.0%
Agriculture	10,495,980	20,024	-	10,516,004	1,404	1	-	1,405	0%	0%	0%	0%
Manufacturing	34,424,664	-	715,704	35,140,368	14,813	-	295,828	310,641	0%	0%	41%	0.9%
Others	43,464,363	5,598,114	120,950	49,183,427	704,417	1,092,571	91,493	1,888,481	2%	20%	76%	3.8%
	180,994,597	**24,213,555**	**7,353,797**	**212,561,949**	**1,124,880**	**1,444,635**	**4,763,305**	**7,332,821**	**0.6%**	**6%**	**64.8%**	**3.5%**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

(iii)Amounts arising from ECL - continued

The following table provides an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in loss allowance.

	Impact: increase		
	Stage 1	Stage 2	Stage 3
Loans and advances to customers at amortised cost			
Increase in loans portfolio from Corporate and institutional Banking by 10% from New and existing customers	135,643	293,592	624,125
Stage 3 exposure increase in corporate banking segment			1,850,365

38.2. Liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The daily liquidity position is monitored, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by Asset and Liabilities Committee. The Asset and Liabilities Committee (ALCO) also monitors the liquidity gap and at first instance would source funds from market using interbank borrowings and as a last resort, use repo and reverse repo arrangements with the National Bank of Rwanda. The Bank has also arranged for long term funding as disclosed under Note 30 and Note 31.

The liquidity ratios at the reporting date and during the reporting period (based on month end ratios) were as follows;

	2021	2020
At close of the year (at 31 December)	57%	53%
Average for the period	54%	40%
Highest for the period	58%	53%
Lowest for the period	51%	31%
Minimum statutory requirement	20%	20%
Liquidity coverage ratio	504%	542%
NSFR ratio	156%	155%
Cash reserve requirement	4%	4%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.2. Liquidity risk (Continued)

The table below analyses the undiscounted amounts of financial liabilities and financial assets into relevant maturity groupings based on the remaining period as at 31 December 2021 to the contractual maturity date.

31 December 2021	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
LIABILITIES						
Deposits from banks	36,024,684	4,501,486	7,788,181	6,174,990	5,941,427	**60,430,768**
Deposits from customers	75,037,970	30,492,694	78,907,186	43,564,427	38,460,068	**266,462,345**
Due to group companies	-	-	-	-	-	-
Other liabilities	-	13,313,408	-	-	-	13,313,408
Long term debt	425,099	19,749	11,898,642	5,280,455	33,283,115	**50,907,060**
Subordinated debt	-	-	30,495	10,096,178	-	**10,126,673**
Outstanding spot/ forward contracts	-	-	10,374,536	-	-	**10,374,536**
Letters of credit	-	-	19,692,072	-	-	**19,692,072**
Guarantees	-	-	42,538,490	-	-	**42,538,490**
Capital commitments	-	-	31,635,976	-	-	**31,635,976**
Leases	48,259	96,718	432,884	925,474	27,300	**1,530,635**
At 31 December	**111,536,012**	**48,424,055**	**203,298,462**	**66,041,524**	**77,711,910**	**507,011,963**
ASSETS						
Cash and balances with National Bank of Rwanda	30,502,283	-	-	-	-	**30,502,283**
Due from banks	43,879,695	15,975,026	10,110,776	5,055,388	-	**75,020,885**
Due from group companies	1,303,319	-	-	-	-	**1,303,319**
Financial assets at fair value through other comprehensive income	-	56,270,151	-	-	-	**56,270,151**
Financial assets at fair value through profit or loss	-	-	1,354,856	-	-	**1,354,856**
Financial assets at amortised cost	1,957,121	5,807,926	2,135,900	9,754,782	14,225,486	**33,881,215**
Loans and advances to customers	39,581,341	9,242,012	27,050,914	102,695,162	43,853,618	**222,423,047**
Other assets	-	-	3,279,764	-	-	**3,279,764**
At 31 December	**117,223,759**	**87,295,115**	**43,932,210**	**117,505,332**	**58,079,104**	**424,035,520**
Liquidity Gap	**5,687,747**	**38,871,060**	**159,366,252**	**51,463,808**	**19,632,806**	**82,976,443**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.2. Liquidity risk (continued)

31 December 2020	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
LIABILITIES						
Deposits from banks	15,668,004	10,033,769	14,958,552	5,719,116	3,444,543	**49,823,984**
Deposits from customers	71,611,777	32,873,477	66,440,045	38,718,948	38,791,350	**248,435,597**
Other liabilities	-	9,308,854	2,371,917	-	-	**11,680,771**
Long term debt	-	-	2,453,347	34,696,445	2,200,000	**39,349,792**
Subordinated debt	-	-	30,074	9,724,750		**9,754,824**
Outstanding spot/ forward contracts	-	-	13,966,926	-	-	**13,966,926**
Letters of credit	-	-	19,692,072	-	-	**19,692,072**
Guarantees	-	-	42,538,490	-	-	**42,538,490**
Capital commitments	-	-	25,827,261	-	-	**25,827,261**
Leases	60,012	110,294	486,017	1,406,882	113,619	**2,176,823**
At 31 December	**87,339,793**	**52,326,394**	**188,764,701**	**90,266,141**	**44,549,512**	**463,246,540**
ASSETS						
Cash and balances with National Bank of Rwanda	30,266,747	-	-	-	-	**30,266,747**
Due from banks	37,355,588	-	1,947,332	-	-	**39,302,920**
Due from group companies	1,131,523	-	-	-	-	**1,131,523**
Financial assets at fair value through other comprehensive income	-	48,943,246	-	-	-	**48,943,246**
Financial assets at fair value through profit or loss	-	-	644,061	-	-	**644,061**
Financial assets at amortised cost	4,468,868	8,761,623	24,596,648	5,786,609	7,649,619	**51,263,367**
Loans and advances to customers	19,496,069	28,939,694	31,038,760	57,003,058	68,751,547	**205,229,128**
Other assets	-	-	3,279,764	-	-	**3,279,764**
At 31 December	**92,718,794**	**86,644,563**	**61,506,565**	**62,789,667**	**76,401,166**	**380,060,756**
Liquidity Gap	**5,379,001**	**34,318,169**	**(127,258,136)**	**(27,476,474)**	**31,851,654**	**(83,185,784)**

Deposits from customers represent business transaction, personal transaction, savings, call and fixed deposit balances, which past experience has shown to be stable. The 2020 disclosure above has been updated in the current year financial statements to include the recoverable portion across different periods.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.3. Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Traded market risk: the risk of the Bank being impacted by changes in the level or volatility of positions in the trading book. The bank currently holds financial assets at fair value through other comprehensive income amounting to Frw 56.2 billion (2020: Frw 48.9 billion).

Non-traded market risk: the risk of the Bank's earnings or capital being reduced due to the market risk exposure from banking book positions which may arise net of hedging activities. Market risk on the currency swap is based on the differential of the interest rates between the two currency swaps. This interest rate is fixed at the onset of the contract. The Bank holds a derivative financial instrument valued at notional amount of Frw 30 Billion (2020: Frw 30 billion).

Management of market risk

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

All foreign exchange risk within the Bank is managed by the Treasury Department. Accordingly, the foreign exchange position is treated as part of the Bank's trading portfolio for risk management purposes.

Overall authority for market risk is vested in the Board. The Finance and Treasury Departments in collaboration with the Risk Management Department are responsible for the development of detailed risk management policies (subject to review and approval by Board Risk Management Committee) and for the day-to-day review of their implementation. Management actively engages with their clients to continually roll forward their deposits.

Exposure to market risks – trading portfolio

The bank holds financial assets at fair value through other comprehensive income amounting to Frw 56 billion (2020: Frw 48.9 Billion) that is exposed to market risk. Management adopted the use of the yield curve as it is a better representation of fair value.

The Bank perform interpolation of yield on government securities in comparison to the yields of Bank's financial assets at FVOCI and the results are converted into clean prices of the bonds to determine the basis of the Fair valuation.

The bank has not yet adopted value at risk analysis for the trading portfolio.

Exposure to interest rate risk – non-trading portfolio

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. All of the interest rate risk is due to fair value. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The Treasury back office and Finance Department is the monitoring body for compliance with these limits.

Exposure to interest rate risk

A summary of the Bank's interest rate gap position reflecting assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates is shown below.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.3. Market risk (continued)

Exposure to interest rate risk (continued)

31 December 2021	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Non-interest bearing	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
ASSETS							
Cash and balances with National Bank of Rwanda	-	-	-	-	-	30,502,283	**30,502,283**
Due from banks	-	43,174,017	-	-	-	31,846,868	**75,020,885**
Loans and advances to customers	39,752,954	9,276,798	18,942,021	105,190,778	50,309,285	(1,048,789)	**222,423,047**
Financial assets at fair value through profit or loss (FVTPL)	-	-	-	1,354,856	-	-	**1,354,856**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	2,123,234	15,309,216	38,837,701	-	**56,270,151**
Other financial assets at amortised cost	1,957,121	5,807,926	2,135,900	9,754,782	14,225,486	-	**33,881,215**
Due from group companies	-	-	-	-	-	1,303,319	**1,303,319**
Other assets	-	-	-	-	-	3,159,069	**3,159,069**
At 31 December	**41,710,075**	**58,258,741**	**23,201,155**	**131,609,632**	**103,372,472**	**65,762,750**	**423,914,825**
LIABILITIES							
Deposits from banks	53,207,323	1,557,079	4,000,000	-	-	1,666,366	**60,430,768**
Deposits from customers	48,560,280	33,549,902	41,993,084	53,371	-	142,305,708	**266,462,345**
Other liabilities	-	-	-	-	-	11,383,043	**11,383,043**
Long term debt	425,099	19,749	11,898,642	5,280,455	31,786,383	1,496,732	**50,907,060**
Subordinated debt	-	-	30,495	10,096,178	-	-	**10,126,673**
At 31 December	**102,192,702**	**35,126,730**	**57,922,221**	**15,430,004**	**31,786,383**	**156,851,849**	**399,309,889**
Interest rate gap	**(60,482,627)**	**23,132,011**	**(34,721,066)**	**116,179,628**	**71,586,089**	**(91,089,099)**	**24,604,936**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.3. Market risk (continued)

Exposure to interest rate risk (continued)

31 December 2020	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Non-interest bearing	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
ASSETS							
Cash and balances with National Bank of Rwanda	-	-	-	-	-	30,266,747	**30,266,747**
Due from Banks	-	28,478,686	-	-	-	10,824,234	**39,302,920**
Loans and advances to customers	24,873,460	14,777,771	40,714,467	87,100,099	37,742,355	20,976	**205,229,128**
Financial assets at fair value through profit or loss (FVTPL)	644,061	-	-	-	-	-	**644,061**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	1,922,173	-	10,747,526	36,273,547	-	**48,943,246**
Other financial assets at amortised cost	4,481,813	8,865,584	23,828,695	7,786,719	6,300,556	-	**51,263,367**
Due from group companies		-	-	-	-	1,131,523	**1,131,523**
Other assets	-	-	-	-	-	3,001,489	**3,001,489**
At 31 December 2020	**29,999,334**	**54,044,214**	**64,543,162**	**105,634,344**	**80,316,458**	**45,244,969**	**379,782,481**
LIABILITIES							
Deposits from banks	9,051,119	38,387,306	2,000,000	-	-	385,559	**49,823,984**
Deposits from customers	3,952,166	147,851,671	27,540,945	52,107	-	69,038,708	**248,435,597**
Due to group companies	-	-	-	-	-	-	**-**
Other liabilities	-	-	-	-	-	13,373,871	13,373,871
Long term debt	-	-	2,453,347	34,696,445	2,200,000	-	**39,349,792**
Subordinated debt	-	-	30,074	9,724,750	-	-	**9,754,824**
At 31 December 2020	**13,003,285**	**186,238,977**	**32,024,366**	**44,473,302**	**2,200,000**	**82,798,138**	**360,738,068**
Interest rate gap	**16,996,049**	**(132,194,763)**	**32,518,796**	**61,161,042**	**78,116,458**	**(37,553,169)**	**19,044,413**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.3. Market risk (continued)

Exposure to interest rate risk - continued

Customer deposits up to three months represent current, savings and call deposit account balances, which past experience has shown to be stable and of a long-term nature.

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that the interest earning assets (including investments) and interest-bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the Bank's business strategies.

Sensitivity Analysis

A change of 200 basis points in interest rates at the reporting date would have increased/decreased equity and profit or loss by the amounts shown below. The analysis assumes that all other variables in particular foreign currency exchange rates remain constant.

31 December 2021	**Equity net of tax**
200 basis points	**Increase/decrease in basis points ('000)**
Assets	154,508,643
Liabilities	(156,874,621)
Net position	**(2,365,978)**
31 December 2020	**Equity net of tax**
200 basis points	**Increase/decrease in basis points ('000)**
Assets	4,699,367
Liabilities	(3,891,159)
Net position	**808,208**

Currency risk

The Bank is exposed to currency risk through transactions in foreign currencies. The Bank's transactional exposure gives rise to foreign currency gains and losses that are recognised in the profit or loss. In respect of monetary assets and liabilities in foreign currencies, the Bank ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate. The table below analyses the currencies which the Bank is exposed to as at 31 December 2021 and 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.3. Market risk (continued)

Currency rate risk

At 31 December 2021	**USD**	**GBP**	**Euro**	**Other**	**Total**
	Frw'000	**Frw'000**	**Frw'000**	**Frw'000**	**Frw'000**
ASSETS					
Cash and balances with National Bank of Rwanda	10,832,935	268,576	1,399,633	25,310	**12,526,454**
Due from banks	64,622,684	76,803	10,241,391	80,007	**75,020,885**
Loans and advances to customers	31,685,664	-	-	-	**31,685,664**
Due from group companies	1,143,852	68,223	60,871	30,373	**1,303,319**
Other assets	30,885,947	-	50,676	-	**30,936,623**
At 31 December	**139,171,082**	**413,602**	**11,752,571**	**135,690**	**151,472,945**
LIABILITIES					
Deposits from banks	8,337,410	-	138,893	-	**8,476,303**
Deposits from customers	83,756,283	341,434	8,948,361	17,211	**93,063,289**
Other liabilities	728,221	-	3,001,533	61	**3,729,815**
Long-term borrowings	35,336,622	-	-	-	**35,336,622**
Subordinated debt	10,096,178	-	-	-	**10,096,178**
At 31 December	**138,254,714**	**341,434**	**12,088,787**	**17,272**	**150,702,207**
Net on statement of financial position	**916,368**	**72,168**	**(336,216)**	**118,418**	**770,738**
Net notional off-balance sheet position	**40,836,760**	**-**	**4,397,246**	**-**	**45,234,006**
Overall net position	**41,753,128**	**72,168**	**4,061,030**	**118,418**	**46,004,744**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.3. Market risk (continued)

Currency rate risk – continued

At 31 December 2020	USD	GBP	Euro	Other	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
ASSETS					
Cash and balances with National Bank of Rwanda	7,857,978	368,821	6,244,607	19,592	**14,490,998**
Due from Banks	27,101,116	425,654	11,575,074	201,076	**39,302,920**
Loans and advances to customers	31,944,580	3	176	-	**31,944,759**
Due from group companies	1,139,085	2,384	25,580	720	**1,167,769**
Other assets	12,943,067	-	-	-	**12,943,067**
At 31 December	**80,985,826**	**796,862**	**17,845,437**	**221,388**	**99,849,513**
LIABILITIES					
Deposits from banks	6,152,437	-	231,124	-	**6,383,561**
Deposits from customers	68,330,258	712,870	12,689,049	39,234	**81,771,411**
Other liabilities	732,220	83,992	3,946,164	145,906	**4,908,282**
Long term debt	24,553,520	-	-	-	**24,553,520**
Subordinated debt	9,754,824	-	-	-	**9,754,824**
At 31 December	**109,523,259**	**796,862**	**16,866,337**	**185,140**	**127,371,598**
Net on statement of financial position	**(28,537,433)**	**-**	**979,100**	**36,248**	**(27,522,085)**
Net notional off balance sheet position	**48,362,412**	**-**	**1,512,896**	**-**	**49,875,308**
Overall net position	**19,824,979**	**-**	**2,491,996**	**36,248**	**22,353,223**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.3. Market risk (continued)

Currency rate risk - continued

Sensitivity Analysis

A reasonable possible strengthening or weakening of the USD, GBP, EUR against the Rwanda Francs (Frw) would have affected the measurement of financial instruments denominated in foreign currency and effected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates remain constant.

At 31 December 2021	Profit or loss Strengthening/ weakening of currency	Equity net of tax Strengthening/weakening of currency
	Frw'000	Frw'000
USD (± 2.5% movement)	1,043,828	730,680
GBP (± 2.5% movement)	1,804	1,263
EUR (± 2.5% movement)	101,526	71,068

At 31 December 2020	Profit or loss Strengthening/ weakening of currency	Equity net of tax Strengthening/weakening of currency
	Frw'000	Frw'000
USD (± 2.5% movement)	495,624	346,937
GBP (± 2.5% movement)	-	-
EUR (± 2.5% movement)	62,300	43,610

38.4. Capital management

Regulatory capital – Rwanda

The Bank's objectives when managing capital, which is a broader concept than the "equity" on the balance sheet, are:

- To comply with the capital requirements set by the National Bank of Rwanda;
- To safeguard the Bank's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To maintain a strong capital base to support the development of its business.

The National Bank of Rwanda (BNR) sets and monitors capital requirements for the banking industry as a whole. In implementing its current capital requirements, BNR, requires Banks in Rwanda to maintain a prescribed ratio of total capital to total risk-weighted assets. The Bank's regulatory capital consists of Tier 1 capital and supplementary capital (Tier 2 Capital).

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.4. Capital management (continued)

Company:		2021 Frw'000	2020 Frw'000
Core capital (Tier 1)			
Share capital		15,150,000	12,120,000
Share premium		6,249,832	6,249,832
Retained earnings		38,335,411	33,995,671
		59,735,243	**52,365,503**
Less: Other reserves		606,828	249,453
Intangible assets		(2,943,460)	(3,814,403)
Total Core capital		**57,398,611**	**48,800,553**
Supplementary capital (Tier 2)			
Revaluation reserve		465,474	465,475
Loans/Financing provision		3,967,961	3,194,925
Subordinated debt		4,038,471	5,834,850
		8,471,906	**9,495,250**
Total capital		**65,870,517**	**58,295,803**
		2021 Frw'000	**2020 Frw'000**
Risk weighted assets			
Risk weighted assets		317,436,863	296,639,446
Total risk weighted assets		**317,436,863**	**296,639,446**
Deposits from customers		**266,462,345**	**248,435,597**
Capital ratios	Minimum*		
Core capital /Total risk weighted assets	**10.0%**	**18.08%**	**16.45%**
Total capital /Total risk weighted assets	**15.0%**	**20.75%**	**19.65%**

The minimum level of regulatory capital is FRW15 billion.

38.5. Country risk

Country risk is the risk that an occurrence within a country could have an adverse effect on the Bank, directly by impairing the value of the Bank or indirectly through an obligor's ability to meet its obligations to the Bank. Generally, these occurrences relate, but are not limited, to: sovereign events such as defaults or restructuring; political events such as contested elections or referendums; restrictions on currency movements; non–market currency convertibility; regional conflicts; economic contagion from other events such as sovereign default issues or regional turmoil; banking and currency crisis; and natural disasters.

The Bank's risk management framework incorporates a number of measures and tools to monitor this risk. These measures include: stress testing of concentrated portfolios; various limits by country and a risk rating by country which determines the frequency of a country's review (weekly, bi–weekly, monthly, or quarterly). The country risk is generally identified with the domicile of the legal entity which is the Bank's counterparty, unless the majority of assets or revenues of such entity are located in another country, in which case reference is made to such different country.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

38. Financial Instruments – Fair values and risk management (Continued)

C. Financial risk management (Continued)

38.6. Operational and business risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

38.7. Compliance and regulatory risk

Compliance risk encompasses regulatory and legal compliance risk. Compliance risk is the risk that the Bank incurs financial or reputational risk through imposition of penalties or fines as a result of not adhering to applicable laws, rules and regulations and good market practice (including ethical standards). The Bank's compliance function proactively seeks to enhance compliance risk management and the supporting control framework. The Bank operates in a market where there is a significant level of regulatory change activity, therefore, compliance risk is a key area of focus for Senior Management. The compliance function monitors this risk through reference to metrics relevant to the Bank, review of incident reports and assessments, risk and control assessments pertaining to the first and second lines of defence functions, results of regulatory assessments, and review of results internal audit and external audit reports. Remediation of controls is conducted in a timely manner.

The Compliance function is responsible for establishing and maintaining an appropriate framework of Group compliance policies and procedures. Compliance with such policies and procedures is the responsibility of all managers. The regulatory quantitative information is disclosed on appendix 1.

38.8. Environmental and social risks

Environmental and social risks are the risks that the Bank could bear the consequences of socio-environmental fall-out of transactions. Such risks could arise from failure of the bank to assess the impacts of activities (of both the group and its clients) which could harm the environment or have negative social impact.

The Bank is aware that it has a responsibility to ensure that its internal practice and its lending activities do not have negative environmental and social impacts and is thus committed to ensure that such risks are sufficiently managed through its environmental and social management policy and by adopting the country's labour and environmental laws. The Bank also adheres to international best practice (IFC performance standards and ILO standards as ratified by the Rwanda government).

An environmental and social management system is being put in place to ensure due diligence and monitoring of the environmental and social risk is done efficiently. Compliance to these laws is monitored by the compliance function.

The Directors are responsible for selection and disclosure of the Bank's critical accounting policies and estimates and the application of these policies and estimates.

39. Events after the Reporting date

Conflict between Russia and Ukraine

Conflict broke out between Russia and Ukraine on 24 February 2022, and this has triggered disruptions and uncertainties in the markets and the global economy, as well as coordinated implementation of sanctions against Russia and, certain Russian entities and nationals.

I&M Bank (Rwanda) Plc is closely monitoring the situation for potential impact on its financial statements, including but not limited to estimated direct and indirect impacts on expected credit loss calculations. The situation continues to evolve, and broader implications are not possible to assess at this time.

OTHER DISCLOSURES

FOR THE PERIOD ENDED 31ST DECEMBER 2021

AUDITED BY EXTERNAL AUDITORS (FIGURES IN FRW '000)

I. Capital Strength	**31 December 2021**	**31 December 2020**
a. Core Capital (Tier 1)	57,398,611	48,800,553
b. Supplementary Capital (Tier 2)	8,471,906	9,495,250
c. Total Capital	65,870,517	58,295,803
d. Total Risk weighted assets	317,436,863	296,639,446
e. Core Capital/Total risk weighted assets ratio	18.08%	16.45%
f. Tier 2 ratio	2.67%	3.20%
g. Total Capital/Total risk weighted assets ratio	20.75%	19.65%
h. Leverage Ratio	11.62%	10.02%
II. Credit Risk		
1. Total gross credit risk exposures: after accounting offsets and without taking into account credit risk mitigation	**287,522,503**	**274,621,842**
2. Average gross credit exposures, broken down by major types of credit exposure:		
a) loans, commitments and other non-derivative off-balance sheet exposures :	287,522,503	274,621,842
b) debt securities:	90,151,366	100,206,614
c) OTC derivatives :	1,354,856	644,062
3. Regional or geographic distribution of exposures, broken down in significant areas by major types of credit exposure:		
Northern	4,873,522	3,294,875
Southern	2,346,428	2,301,071
Eastern	2,433,866	2,131,107
Western	5,717,499	5,583,210
Kigali City	272,151,188	261,311,579
4. Sector distribution of exposures, broken down by major types of credit exposure and aggregated in the following areas:		
a) Government;	183,162	377,110
b) financial;	252,970	-
c) manufacturing;	56,219,723	53,097,765
d) infrastructure and construction;	81,909,415	65,746,321
e) services and commerce.	94,873,362	116,385,221
f) others	54,083,871	39,015,425
5. Off Balance sheet items	**55,279,996**	**62,230,562**
6. Non-Performing Loans		
(a) Non performing Loans	9,927,109	9,628,881
(b) NPL Ratio	3.45%	3.51%
7. Related Parties		
a. Loans to Directors, shareholders and subsidiaries	6,993,022	67
b. Loans to Employees	5,271,521	5,164,311

8. Restructured loans	**31 December 2021**	**31 December 2020**
a. No. of borrowers	1,761	1,663
b. Amount outstanding (Frw '000)	56,160,720	69,028,314
c. Provision thereon (Frw '000) (regulatory):	1,520,671	1,589,029
d. Restructured loans as % of gross loans	16%	25.14%
III. Liquidity		
a. Liquidity Coverage ratio (LCR)	504%	542%
b. Net Stable Funding ratio (NSFR)	156%	155%
IV. Operational Risk		
Number and types of frauds and their corresponding amount		

Type	**N°**	**Amount FRW'000**	**N°**	**Amount FRW'000**
External - Use of forged payment order	-	-	-	-
Internal - Use of forged payment order	-	-	-	-
Internal - Theft	1	149,589	1	300

V. Market Risk		
1. Interest rate risk	2,143,591	1,846,203
2. Equity position risk	-	-
3. Foreign exchange risk	326,737	579,272
VI. Country Risk		
1. Credit exposures abroad	61,894,936	36,528,842
2. Other assets held abroad	-	-
3. Liabilities to abroad	53,567,062	44,389,403
VII. Management and Board Composition		
a. Number of Board members	9	9
b. Number of independent directors	6	6
c. Number of non-independent directors	3	3
d. Number of female directors	2	2
e. Number of male directors	7	7
f. Number of Senior Managers	13	11
g. Number of female senior managers	5	5
h. Number of male senior managers	8	6

2021 IN PICTURES


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